

THE
PAST AND PRESENT OF JAPANESE
COMMERCE

BY
YETARO KINOSITA, A. M.

SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY
IN THE
FACULTY OF POLITICAL SCIENCE
OF
COLUMBIA UNIVERSITY

New York
1902

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TABLE OF CONTENTS

	PAGE
INTRODUCTION	9

CHAPTER I

THE FINANCE AND ECONOMY OF THE PRIMITIVE JAPANESE	
I. Early Industry	23
II. Fiscal System	25

CHAPTER II

THE INTERCOURSE WITH KOREA AND CHINA	
I. Economic Effects of Buddhism	31
II. Development of Commerce	35
COMMERCE IN THE MIDDLE AGES	
I. Money and Usury Laws in Japan	37
II. Commerce and Foreign Intercourse	43
III. Growth of Cities and Industry	47

CHAPTER III

THE BEGINNING OF EUROPEAN TRADE	
I. Economic Condition of Europe from the 16th to the 18th Century	51
(a) Mercantilism—its development and theory	51
(b) Rival Commercial Empires in the East	56
II. The First European Trade	59
(a) The Portuguese and the Spaniards, the Hollanders and the English	59
(b) The Commercial Policy of Iyeyasu	71
(c) Exclusive and Inclusive Policy	76
(1) The Era of Dutch Commerce	79
(2) Internal Trade	85

CHAPTER IV

THE RESTORATION OF 1868

I. The Causes	89
II. Economic Effects	99
(a) Development of Transportation and Communi- cation	99
(b) Fiscal and Monetary Systems	117
(c) Era of "Free Trade" and Industrial Revolution.	134

CHAPTER V

GOVERNMENTAL ACTIVITY

I. Protection for Young Industries	141
II. Japan's Commercial Attitude	151
APPENDIX.	160
BIBLIOGRAPHY	162

PREFACE

THE Japanese students who come to America to study economic science are singularly handicapped by the fact that the appearance of this science in Japan is only of the most recent date. During the last few decades, numbers of Japanese students have studied in the universities of Europe and America, but their favored studies have been medicine, jurisprudence, metaphysical philosophy, or branches of the physical sciences. The study of economics has not received the share of their attention which it deserved. The cause of this may be, in part, that the word economy suggests to the Oriental mind only greed and parsimony. Many Japanese students are sensible of this bias. The politico-ethical teachings of Confucius and of Mencius, and the doctrine of Buddhism which has had so vast an influence in shaping the minds of the people of the Orient, do not favor, if they are not actually hostile to, the development of economic science as such. With these prejudices and misconceptions of economic science, the ambitious minds of the young Japanese have tended to seek knowledge in all other branches of western learning, and have overlooked that most important part of political science—economics. Japan has given to the world some writers of authority in recent researches in medical science, and a remarkable advance has been made in the branches mentioned. But economics is the youngest of all the sciences in Japan, and no Japanese economist of note has yet appeared. It can be said that there is no classical work of economic literature in the language of Japan, except a few translations from European languages. Japan is virgin soil for the study and development of economic science.

The economic data given in the old literature of Japan are few and widely scattered. There is no treatment of Japanese

history from the economic standpoint. The nearest approach to it is the careful and comprehensive compilation of Mr. Suganuma, *The Commercial History of Japan*, but even this excellent and standard work was written without any regard to its economic significance. Mr. Suganuma gives copies of many rare documents and of correspondence which has much economic value. Mr. Yokoi's *History of Japanese Commerce* is a more simple and popular form of Japanese commercial history. The libraries of this country are almost silent as regards Japanese economics. Among a few dissertations in German, I have found Mr. Fukuda's *Die Gesellschaftliche und Wirtschaftliche Entwicklung in Japan* very suggestive, although his treatment of the subject is sociological and philosophical rather than economic. He makes no mention of the important economic development since the Restoration of 1868. On the other hand, Mr. Ono's *Industrial Transition of Japan*, as the title indicates, is limited to the stage of transition, and does not touch the historical evolution of economic Japan. So far as I am able to ascertain, there is no literature in Japanese or in the European languages which approaches our national history from the standpoint of economics and with scientific precision. That this is so must be regretted, for the place and function of Japan in the industrial awakening of the Far East is admittedly of importance, and it is highly desirable that the world should know Japan better and that Japan should have wider knowledge of her economic past and of her possibilities in the industrial world.

In order to understand Japan's present economic conditions, it is necessary to know the vicissitudes through which she has gone.

The appended bibliography is as complete as with the works available it is possible to make it. The books mentioned are all of value for the economic interpretation of Japanese history.

INTRODUCTION

"Le commerce est la base et l'âme d'un empire; Qu'il périclisse, tout meurt : s'il fleurit, tout respire."

COMMERCE differs from agriculture and manufacturing in that it calls into existence no new material product or improved form thereof. The latter industries employ labor in the production and shaping of nature's products for the comfort and convenience of man. Commerce takes the raw material or finished product and transports it from place to place as occasion may demand. It brings the producer and the consumer into such relations that the one may find the most remunerative market for his goods and the other may supply his various needs at the least cost to himself. In other words, commerce effects a change of commodities so as to afford a maximum of satisfaction to both parties to the transaction. Products are thus distributed according to supply and demand, regardless of the conditions wherein the first may be restricted and abnormal, and the second artificial or anticipatory, and not the natural expression of human needs. Commerce makes the abundance of one district available for the scarcity of another, and enables both producer and consumer to profit beyond what would be possible if their trade were confined to a single locality. In short, being an exchange of values, commerce and the profit accruing therefrom are of mutual interest and advantage to both parties to the transaction by reason of the difference in time and space of the values exchanged.

Exchange of goods necessarily implies a division of labor,

and both of these are fitly called "the organized process of creating wealth."¹ Exchange of goods is to bring soils, climates and natural geographical conditions into an organic relation, while division of labor is to organize the skill and industry of individuals.

Such is commerce, and its appearance in human society attends the development of division of labor and intercourse between distant lands. If we accept the customary stages in the development of commercial society, we may say that in the hunting and fishing stage primitive man finds his means of satisfaction rather than makes or raises them. He partakes of nature's bounty and co-operates with her forces only in the most meagre and simple fashion. His wants are simple and the equilibrium of his wants and efforts is found in a very moderate exertion. Increasing population makes dependence on hunting and fishing more and more precarious. The pastoral stage begins with the use of pastured animals for food and clothing. Man is still nomadic with his flocks and herds, but there comes into being a more general recognition of the right of private property. There may be great accumulation of wealth as such, but not that diversity which alone leads to exchange and commerce. In the barter of this stage, though there is a surplus of satisfaction on either side sufficient to incite it, there is no exact equilibrium of supply and demand. With the advent of the agricultural stage comes a great increase in population, the nomadic life ceases, society becomes better defined and centers about definite localities and community life begins. Private ownership in lands, houses and other property is established, and with it comes the inevitable result of hitherto unknown class distinctions; weak and strong, rich and poor, shrewd and dull, become more sharply defined. Slavery is a characteristic feature of this period, and slavery or its

¹ J. B. Clark, *Distribution of Wealth*, p. 11.

successor serfdom becomes the foundation of feudalism. Finally the industrial stage is reached, wherein man no longer labors for his immediate individual wants, but for others. Industrial interdependence means the division of labor. Intercourse with the most distant lands gradually ushers in the age of trade and commerce as the necessary complement of the industrial organization of society. All of these changes involve, not so much the fundamental relation between man and material nature, as the relation of man to man. Local trade or national commerce brings a single community or nationality into close association. Foreign trade or international commerce binds mankind into the close relation of mutual advantage and advancement.¹

"In the school of Carl Ritter," says Professor Seeley, "much has been said of three stages of civilization determined by geographical conditions: the Potamic which clings to rivers; the Thalassic which grows up around inland seas; and lastly, the Oceanic."²

The early civilizations were doubtless powerfully influenced by geographical conditions. They were potamic and thalassic. Ethnography traces the rise of human society in warm climates and about waterways which afforded easy communication. Until times comparatively recent, what was known as the world was but a narrow strip of Asia, Europe, and northern Africa. A highly developed thalassic civilization arose along the shores of the Mediterranean Sea upon which the Carthaginians, the Phœnicians and the Greeks were the traders. Physical environment determined largely the predominant occupation of these peoples.

¹ Palgrave, *Dictionary of Political Economy*, vol. i, pp. 338 *et seq.* "Trade and Commerce may be regarded as synonymous terms, but trade is properly internal mercantile intercourse, and commerce, commercial dealings between nations."

² Seeley, *The Expansion of England*, p. 103.

The intellectual and moral development of the race is accelerated by frequent intercourse between people of different stages and degrees of civilization. And since the arts of war are inimical to commercial intercourse, commerce has often been fitly called the handmaid of civilization. Peaceful interchange of commodities must, in the long run, effect such an interchange of ideas as will elevate and uplift the race as a whole.

The course of history was affected by, and closely connected with, the routes of commerce between the East and the West. What the West most needed was produced in abundance in the East. This was true in particular of one article of food and one of clothing—spice and silk. The extent to which spice was used by the ancients can scarcely be estimated in modern times. Fresh meat for use in the winter could be had only with the greatest difficulty. The supply of hay was lacking for the long-continued feeding of herds. The supply of meat was prepared by salting and spicing, and was thus preserved for the use of those who could afford the luxury. Modern beverages other than wine were unknown, and nearly all the common drinks were of some spiced mixture. Silk for clothing and adornment was desirable for the same qualities which commend its use to-day. In order to procure these commodities, two well-defined commercial routes came to be used, one through central Asia, by way of the Caspian Sea, the other along the Persian Gulf, the Euphrates River and through the desert of Alexandria. It was not until the middle of the first Christian century that the Monsoon wind was discovered, blowing regularly in winter from the northeast and in summer from the southwest, along the Indian Ocean. This discovery aided greatly in the development of the Levant trade.

From earliest authentic history the Mediterranean sea seems to have occupied the center of the stage in the drama

of civilization. The center of activities passed westward, from Greece to Rome, in the middle of the second century B. C., and commerce took its course and color from the policy of the Roman empire. As this was a military organization primarily, its chief interest in commerce was for direct pecuniary profit. The imports of the empire were won mainly by conquest, and the immense fortunes of favored individual Romans have been surpassed only by the accumulations of the industrial awakening of the nineteenth century. When Roman peace prevailed the Levant trade flourished greatly. The trip from China to Syria took eight months; but this was gladly undertaken, for the rewards were large.

With the fall of the Roman Empire of the West in 476 A. D. the existing civilization was swallowed up in the Teutonic barbarism. "There were no governments, no frontiers, no nations; a general jumble of situations, principles, events, races, languages;—such was barbarian Europe." The East and the West were all but lost to each other. The only connecting link which succeeded in maintaining an uncertain hold, was composed of the two ports of Constantinople and Alexandria.

While western Europe was yet in turmoil, the Mohammedan Arabs were establishing the Saracen Empire in western Asia, northern Africa, and southern Spain. With the spread of this empire went the teaching of its religion, that the only true and sure way of pleasing God is to develop arts and industry, in order that the countries may be wealthy and produce strong soldiers.¹ Although the Mohammedans had many things to learn from those they conquered, they themselves nurtured the arts, the sciences and learning. It is impossible to say how far the modern world is indebted to the Arabs for the sciences of astronomy, chemistry and

¹Nagata, *History of Commerce*, p. 26.

mathematics. It is probable that their contribution will be counted greatest in the indirect way of preserving a knowledge of, and an interest in, the sciences. It is easily possible to over-estimate their direct contributions. But at any rate, by the close of the eighth century they had obtained possession of the highways of the Mediterranean.

Although Latin Christendom was broken into political fragments, it was nevertheless an organized society bound by the unity of religious belief and ecclesiastical institutions.¹ This unity and the sensuous mind of the Middle Ages made possible the tremendous undertakings known as the Crusades, the war of the Latin Church against the heathendom of the Saracen. Although religious zeal and devotion were the motive force of the Crusades, the trading interests reaped the more lasting profit from them. In order to equip and transport the Crusaders, great business activities sprang up along the shores of the Mediterranean. The most profitable part of this trade fell to the Genoese,² but all the Italian cities, like Venice, Florence, Pisa, enjoyed a prosperity hitherto unknown to them. In the fourteenth century the Venetians had more than three thousand merchant ships of ten to one hundred tons burden.

At Jerusalem people from the West and from the East mingled; their mutual knowledge broadened, their desires were stimulated, their wants multiplied. This collision of separate civilizations had a most far-reaching effect in the diffusion of the knowledge of the Eastern civilization among the people of the West. Many industries were brought into Europe as a result, and a more general knowledge of what might be obtained in the East was disseminated. The manufacture of silk and the cultivation of the mulberry came from Greece; from Tyre came the art of making glass; from

¹ Cunningham, *Western Civilization*, vol. ii, p. 108.

² *Ibid.*, p. 125.

Africa came the knowledge of maize and sugar cane.¹ The chief commodities of the Levant trade were silk, silk fabrics, spices, sugar and precious stones. Imperfect and difficult transportation made these commodities veritable luxuries, even sugar being counted as such during the Middle Ages.

About the middle of the fifteenth century the Eastern Empire was brought to an end, being overthrown by the Turks. These obstructed the Eastern trade by levying outrageous taxes and tolls on such part of the trade as they could not monopolize by concealing its sources. In the fifteenth century Europe was wholly ignorant of conditions in the Oriental countries, except as it obtained a limited knowledge through Marco Polo, who had written in the preceding century. Traditions of fabulous wealth to be obtained in the mysterious East continued to be told, and the desire to find the shortest route to the Indies led Columbus to the discovery of the New World. Three years later, in 1497, Vasco de Gama reached Calcutta by way of the Cape of Good Hope. The Spaniards and the Portuguese accomplished the great work by which the Atlantic became the highway of commerce instead of the Mediterranean. Commerce lost its old unity and this changed the face of the globe. The geographical discoveries were the signal for the passing of commercial civilization from the thalassic stage to the oceanic. The center of commerce moved from the Mediterranean to the Atlantic, and Cadiz, Lisbon, London and Antwerp rose on the ruins of Genoa, Venice, Florence and Pisa.

The appearance of the New World transformed the politics of Europe by altering materially the interests and the position of five great European states.² The sixteenth century was the age pre-eminently of the Spanish and Portuguese. During the next century the three other powers

¹Palgrave, *Dictionary of Political Economy*, vol. i, p. 470.

²Seeley, *The Expansion of England*, p. 120.

bordering the Atlantic were added to the struggle for commercial empire. In the course of the eighteenth century, Portugal was exhausted in the struggle for a monopoly of the Oriental trade, and the fate of Spain was sealed by the defeat of the Armada, the bullion policy and her mistaken colonial policy. Colbert, with his French tariff war, and Cromwell, with his Navigation Act, succeeded in practically destroying Dutch commerce and industrial pre-eminence. England and France were left to fight a duel for supremacy in India and North America. France lost India at the battle of Plessy and North America on the Heights of Abraham. These defeats left the Anglo-Saxons undisputed masters of the seas. England rose on the ruins of Spain and France as Rome had risen on the ruins of Tyre and Carthage.

But while England was establishing her colonial empire and supremacy on the sea, there came that series of transforming and striking inventions, in the second half of the eighteenth century, which precipitated the industrial revolution and changed industrial conditions for Europe and the world. Hand-work and the domestic system gave way to steam power and the factory system. The age of geographical discovery had paved the way for the age of invention¹ and expansion, and made the success of English commerce and industry no mere accident. English shipping opened up new markets which could absorb an almost unlimited supply of her manufactures. She could produce on a larger scale than ever before without immediate danger of over-production. Large sales and small returns per unit of capital became an axiom of modern trade. England's enormous profits, industrial and commercial, made her the financial and economic center of the world.

After the United States became an independent nation, a tide of emigration flowed across the Atlantic from the Old

¹ Cunningham, *Western Civilization*, vol. ii, pp. 225 *et seq.*

World to the New. The immigration of intelligent and skilful labor is a conspicuous economic factor in the attainment of industrial greatness. English industry was fostered and flourished because of the immigrants from Flanders. Japanese industry profited in the same way because of immigration from Korea and China. The United States, richly endowed by nature and peopled by different nationalities who represented the intelligence and culture of the world, could not but become the great industrial nation of the world.

The Franco-Prussian War of 1870 resulted in transferring one thousand million dollars of war indemnity across the Rhine. The influx of such a mass of wealth was sufficient to establish Germany in a financial pre-eminence. The industrial and commercial policy of the German Empire since that time has been the most vigorous form of government interference. It may be too soon to judge of the permanent effect of that policy, but it seems to have been a successful one.

These two great powers are contending for England's place as the economic center of the world. Should England be destined to lose her prestige, it would be premature to point out now the successful rival. A coalition or industrial alliance of the Teutonic nations would easily dominate the world. If the question is to be decided along national lines, history points strongly westward, and the Spanish-American War may have been but the surface shock indicating that the commercial and industrial center had passed to the western shore of the Atlantic.¹

The two problems confronting industrial nations in the twentieth century are the unheard-of accumulations of capital in the hands of the civilized peoples and the tendency to special over-production of finished articles.

The French economist, J. B. Say, undertook to prove that

¹ Brooks Adams, *America's Economic Supremacy*, p. 51.

there could be no general over-production, since the increased product of one man or group of men would be exchanged for the increased product of the other producing classes of the community.¹ M. Say based his argument upon the premise that the man who produces consumes in equal ratio with his production. He did not take into account the modern phenomena of stupendous accumulations. Saving in order to provide an income is a modern phenomenon. In his *Essai sur la Répartition des Richesses*, Professor Leroy-Beaulieu says, "if European laborers and capitalists continue to amass savings as they have been doing, the supply of available capital will become so great as materially to reduce the earning power of capital." Had he been so minded, he might have added that the decrease in the earning power of capital would be attended by a corresponding relative increase in the earning power of labor, and that the accumulations of capital could be regulated, not by law, but by the automatic action of demand and supply directing their force toward capital.

The deposits in European savings banks, as reported by Conant, have increased as follows: In Prussia, ending with 1898, deposits had increased in five years by about 40 per cent., or by a sum of more than \$350,000,000. In France private savings banks carried at the end of 1899 deposits of \$657,000,000. In Italy the ordinary and postal savings institutions had at the same time deposits of \$400,000,000. The savings deposits in Russian banks of different classes amounted in September, 1899, to \$308,500,000. At the close of the same year, 1899, deposits in the savings banks of the United States reached the sum of \$2,230,366,454.²

To find profitable investment for industrial capital and a wider market for consumable goods is the main-spring of

¹ Conant, *The United States in the Orient*, pp. 5 et seq.

² Conant, *The United States in the Orient*, p. 171.

the international policy of civilized nations to-day. The territorial "greed" and "imperialism" of Christian nations is no more than the persistent effort to find and to assure outlet for surplus capital and goods. The occupation of the West Indies, the Sandwich Islands, and the Philippines by the United States, was a measure of "self-defense," of economic necessity. The United States is entering into the financial and commercial struggle of the twentieth century as a creditor nation.

Since the discovery of gold in California the industrial center of the United States has been moving westward, as the shifting of the center of population partly indicates. The purchase of Alaska and the acquisition of the Hawaiian and Philippine Islands makes the Pacific almost an inland sea of the United States. In the development of the trade of the Far East the United States is directly concerned and vitally interested, both politically and economically. As the East awakens and develops, the Oriental trade will increase immensely and the Pacific will become a new and greater highway of the world's commerce; the past few years have witnessed the beginning of the struggle for its mastery. England, France, and Germany have each sent special commissioners to China to investigate and to report upon the possible openings there for capital and trade. It is altogether impossible to predict the future and the possibilities it may disclose.

But Japan is profoundly concerned in these world movements. A glance at the map shows that she lies directly at the gateway of the western Pacific, where the channels of trade converge from east and west, from north and south. By every geographical condition she is eminently fitted for prosperity as a commercial and industrial nation. The character of her soil, climate, racial traits, and the outlying markets of China and the United States on either hand and

Russian Siberia and Australasia to north and south, all go to show her national possibilities. Nor is Japan unmindful of her advantages.

Until the present the water-way from Europe to the Far East has been by way of the Suez Canal or by the Cape of Good Hope. The Canadian Pacific railway was completed in 1887, uniting Quebec and Vancouver by a line but little more than 3,000 miles in length. There are several trans-continental lines in the United States over which an express train may go from sea-board to sea-board in less than five days. From Vancouver to Yokohama is 4,374 miles; from San Francisco to Yokohama is 4,750 miles, and this distance is covered by fast steamers in two weeks. From England to Japan by this route requires about 25 days instead of the 34 days required by the route through the Suez Canal. The Nicaragua Canal—or the Panama Canal—is sure to be completed before many years. When this is accomplished, the Pacific will be a more prominent economic factor than heretofore. The relative advantages of the oceanic canal, in time and distance, are set forth in the subjoined table.¹

DISTANCE IN MILES.

From	To	CAPE HORN.	GOOD HOPE.	NIC. CANAL.	SAVED.
New York City,	San Francisco	14,840	.....	4,760	10,080
	Hong Kong	18,180	15,201	11,038	4,163
	Yokohama	17,679	16,190	9,363	6,827
	Melbourne	13,502	13,290	10,000	3,290
	New Zealand	12,550	14,125	8,680	3,870
	Hawaii	14,230	.....	6,388	7,840
Liverpool,	San Francisco	14,690	.....	7,508	7,183
	Melbourne	13,352	13,140	12,748	392
	New Zealand	12,400	13,975	11,349	1,051
	Hong Kong	18,030	15,051	13,786	1,265
	Yokohama	17,529	16,040	12,111	3,929
	Hawaii	14,080	.....	9,136	4,944

¹ Johnson, *The Nicaragua Canal and the Economic Development of The United States*, p. 46.

New Orleans,	San Francisco	15,052	.....	4,047	11,005
Hamburg,	Mazatlan	13,931	.....	6,880	7,051
	Acapulco	13,371	.....	6,320	7,051
	Fonseca	11,430	.....	5,530	5,900
	Punta Arenas	11,120	.....	5,515	5,605
	Costa Rica				

The advantages for sailing vessels, of the Central American canal over the Mediterranean Sea and the Suez Canal, are ably discussed by McCarkle in his work on *The Nicaragua Canal*.

The leading economic influence of this canal, aside from the considerations of time and of distance, is that it will so lower transportation charges as to open wider markets for the raw material of the extractive industries of all the countries adjacent to the Pacific. This is of immediate interest to Japan.

On the other hand, with the completion of the Siberian railway at Vladivostok, will be opened a door of large trade and commerce to the west of Japan. Siberia may or may not compare with California and Australia, but she has an abundance of gold and silver, coal, lead and iron. Siberia's present annual wheat crop is about three million tons. Within a single generation this may easily be increased to ten million tons, about one-eighth of the present wheat crop of the world.

As soon as Japan resumes complete political autonomy she will have every needed facility for becoming a great manufacturing nation. She has immense stores of coal, the chief generative power of the industrial world. The annual production of coal in Japan is now 6,700,000 tons. The veins in the important mines vary from eight to twenty feet, and with such depth of veins, the area covered gives reason to believe that, at a conservative estimate, Japan will for

many years be an important factor in the production of the coal supply for the East. With the world's raw materials being made more readily available to her from every side she lacks nothing in these respects. Her forty millions of people have astonished the world by their ingenuity and adaptability in the arts, industry, and trade. When the nation is able to protect her people from the keen stress of foreign competition until they shall have established industries of increasing returns, Japan will, doubtless, become as great industrially as nature has so favorably placed her for becoming commercially. Extending over 25° of latitude she has climates suited to every sort of industry, her people are ingenious, imitative but not lacking in initiative, industrious, and willing. Adopting and adapting western civilization, they are best fitted to interpret it to the other races of the Orient. Spurred on by commercial aims and opportunities, the Japanese will mingle largely with the peoples of western civilization and with those of the more ancient and inert civilizations. The Empire of The Rising Sun is sure to be, in a great measure, the workshop and the carrier of the Far East, and in fulfilling this capacity, she will find other opportunities opening before her. The "Federation of the world" is far off—very far; but in moving towards it, whatever may be the part in the drama of human existence which Nippon has to play, she will seek to accredit herself to all the peoples of the earth. For many centuries she has lived apart. Her exclusiveness is put away forever. Japan is now in friendly rivalry with the other nations, and the history of what she has been, is, and hopes to be, has now, we hope, become of general interest.

CHAPTER I

THE FINANCE AND ECONOMY OF THE PRIMITIVE JAPANESE

ECONOMIC DEVELOPMENT OF THE COUNTRY FROM 660 B. C. TO 654 A. D.

I. *The Early Industry.*

Commerce, in its wider sense, begins with the development of human society and the growth of civilization. In order to understand the beginning of commerce in a country it is essential to know something of the earliest steps toward civilization. Nearly all civilizations began in warm climates where the necessities of life were few and were procured with little exertion. Naturally, the civilization of Japan began in the southern part of the islands and extended toward the northeast. The Ainos, the aborigines of Japan, were driven northward by an opposing race which advanced from the southwest. The origin of this race is not known, but they were probably an amalgamation of different races. Inferences drawn from such unwritten history as customs, traditions, relics, folk-lore, and dialects of the people along the Indian Ocean and in the Philippines, seem to show that the Semitic civilization of 2000 B. C., not only reached India through the Phoenicians, but extended much farther to the northeast. It is altogether probable that this Semitic civilization, blended with the Aryan civilization of the Hamitic races, reached to the Philippines and to Japan. The Japanese mythology, the phonetic system of the old dialect, and many customs of the primitive Japanese make more probable the assumption that there were elements of

the Hamitic-Semitic civilization in Japan before the advent of Chinese civilization.¹

Very little is known of the economic condition of the primitive Japanese. There is almost no literature of value to historians making researches into this period. Of all social traditions, the economic are primary and are the earliest.² The traditions and old sayings of this period abound in allusions to fish and the sea. It is likely that in the hunting stage of the economic life of this people the leading industry was fishing. They had no cattle or domesticated animals and could know nothing of flocks or dairy products. Nor do they seem to have experienced the periods of nomadic and pastoral life as did the primitive people of the continent.³ From the hunting and fishing stage the early Japanese passed apparently directly to the agricultural stage. Rice, even at that early day, was the staple product.⁴ As Mr. Fukuda states, the cultivation of dry land was by the system of *essartage*, or *Brennwirtschaft*, and was a most extensive method of cultivation. The origin of rice cultivation in wet lands is not known, but the Imperial edict of Emperor Suijin encouraged the irrigation of dry lands and the cultivation of wet lands. He inaugurated a periodical census of the people in 86 B. C.

Emperor Suijin was progressive and made special efforts to develop fishery, agriculture, and commerce. While the country was sparsely populated the fishing industry was more profitable than agriculture, and in 81 B. C., the following edict was issued:⁵

“Ships are of cardinal importance to the empire. At

¹ Takekoshi, *The History of 2500 years*, pp. 3 et seq.

² Giddings, *Principles of Sociology*, p. 306.

³ Bücher, *The Evolution of Industry*, p. 86.

⁴ Fukuda, *Die Gesellschaftliche und Wirtschaftliche Entwicklung in Japan*, p. 6.

⁵ *Transactions of the Japan Society*, London, p. 161.

present, the people of the coast, not having ships, suffer grievously by the necessity of land transportation. Therefore let every province be caused to have ships built."

His purpose was to increase the facility of transportation and communication in and for the country. But the development of commerce and industry in Japan really dates from the introduction of Chinese civilization through the Koreans.

II. *Fiscal System.*

In all classical antiquity there was some sort of government fiscal system. But very little record of it was made at the time, and but little study of it can now be made. Scarcity of materials for such researches makes the difficulty insuperable. The fiscal system of a government has to deal with many practical problems, and is an outgrowth of the conditions and relations of the people. Revenue is the predominating factor of it in all governments, ancient as well as modern. Hence the study of the sources of revenue and the methods by which it was collected throws much light on ancient economic life, even though other historic evidence is obscure and dim.

The tangible history of Japan begins with the conquest of Jimmu, who was its first Emperor. But the period prior to the Taikwa Reform, in 640 A. D., is very indistinct.

The political system of Emperor Jimmu was of most rudimentary fashion, not unlike the Council of the Six Nations of the Iroquois. Griffis likens it to that of the Aztecs of Mexico.¹ The Emperor distributed the conquered lands among his chieftains to be held in return for military service. It was a tribal organization and a species of feudalism. Aside from the occasional exaction of tribute the chieftains were practically free from interference, especially in regard to the details of provincial administration. The conquerors

¹Griffis, *The Mikado's Empire*, pp. 58, 88.

seem to have secured to themselves the reverence and obedience of the people by making the government a theocracy.

The central government and the Imperial Court were practically identical, as in the feudalism of Europe. The fiscal system of the government was the Imperial Court economy. This important distinction, or more properly speaking, identity, must be borne in mind in the study of this period.

In the reign of Emperor Suijin, 97 B. C.—30 B. C., a tribute was exacted from each sex, the "tribute of bow-point" from men, and the "tribute of hand-point" from women. The former term implies that hide and horns were the chief requirement in the discharge of this tax, and the latter that weaving was required.¹ This is the first mention of a tax in Japanese history. During the following reign, that of Emperor Suinin, 30 B. C.—70 A. D., the fiscal system was somewhat organized. Classifying² the public revenues according to the two general divisions, Quasi-Private and Public Economic Income, we are able to arrive at a fair analysis of this early fiscal system, as follows:

(I.) QUASI-PRIVATE ECONOMIC INCOME.

(a) *Mita*. (b) *Mikata*. (c) *Mikoshiro*. (d) *Minashi*.

The *Mita* and the *Mikata* refer to the land belonging to the Imperial Court; the first in the character of public domain, the other the property of the Imperial household. The *Mikoshiro* and the *Minashi* were the serfs of the same household.

Land tax or "So" was levied at the rate of three per cent. on the estimated product.

¹ Hagino, *The Financial History of Japan*, p. 9.

² Seligman, *Essays in Taxation*, p. 266.

(II.) PUBLIC ECONOMIC INCOME.

(a) *Chō*. (b) *Yō*. (c) *Extraordinary taxes*.

The *Chō* was a kind of business tax assessed on the people, and it was paid in kind. The rates differed on different products. For instance, every weaver, brewer, tailor, fisherman and other artizan contributed a portion of his specific product as his share of the *Chō*. The *Chō* varied according to locality and occupation. There was no standard of rates according to which it was levied, but it had all the compulsory character of a tax.

The "*Yō*," or man-labor service, was levied at the rate of one person from each thirty households. The service was required during the winter months, when agricultural labors were suspended.¹

The extraordinary taxes consisted of those on markets, highways, ferries, ships, occasional tribute from the feudal chieftains, and escheats and fines.

Thus we find the government revenues made up from the *Chō*—business tax, the *Yō*—man-labor service, and the *So*—land tax. This latter tax was collected from wet lands only, all dry land being exempt.² It is evident from this that the cultivation was especially fitted to wet land, and that its productivity was greater than that of the dry-land. The *So* was a secondary revenue of the government, inasmuch as the tribal-feudal system prevailed and the *Mita* and *Mikata* were comparatively small portions of the country.

In the strict use of the word, the *So* was not a tax. The *Chō*, or business tax, was the source of greatest revenue, and on this account chiefly the government encouraged the establishment of industries. After the conquest of Korea by the Empress Jingo, the immigrating Koreans gave a new departure and a new impetus to all industry. Arts and in-

¹ Hagino, *The Financial History of Japan*, p. 29.

² *Ibid*, p. 25.

dustry quickened and multiplied, and the increased Chō added greatly to the government's revenue.

During the reign of Emperor Yūroku, 456-479 A. D., the fiscal system of the government was still better organized. Three departments were established, the "Itsukikura," the "Uchikura," and the "Ōkura."¹ The Itsukikura was a treasury for the religious affairs of the Imperial Court. As the government had been a theocracy for many centuries, its religious relations were of no slight importance. The Uchikura was the financial department of the Imperial Court. The Ōkura was the department of finance of the central government.

Before there was any conception of such a thing as a budget, the government had no idea of the probable amount of its revenues and expenditures. Moreover, the Chō, which was the principal revenue of the government, consisted of all kinds of commodities, many of which could not be stored conveniently through the year. This acted in the nature of a check on the government and caused it to rely as much as possible on the Yō and the extraordinary taxes, in cases of emergency.

Since political integration comes first in the stages of civilization, nation-making and unification require that the society be military.² In the reign of Emperor Kōtoku, in 640 A. D., the greatest political reformation in the history of Japan took place. The tribal-feudal system, under which the government had existed for thirteen hundred years, was changed to a centralized form of government. The country, which had had no name for itself before this time, was called Nippon. The year was named after the Chinese style, Taikwa. All Japanese were made the direct subjects of the Emperor;

¹ The Department of Finance in Japanese government is called "Okura-Sho," and the name might have been derived from it.

² Giddings, *Principles of Sociology*, p. 305.

that is, the Emperor became the head of the nation, and the imperial power absolute. Japan, for the first time in its history, became, as a whole, a nation with a distinctly national history and life. All private ownership of land was abolished by the nationalization of all the land in the Empire. In connection with this, the "Handen" system of China was adopted.¹

According to this system every citizen when the age of six was reached, was provided with a piece of land; two "tan" of wet land for each male child, and two-thirds of two "tan" for each female child. When the men became sixty years old and the women nineteen, the land which had been distributed to them was to be returned to the government. Women and old men were to be supported by their children; if there were no children to whom they could look for support, they were dependent on a company or "Kumi" for their subsistence. The "Kumi" was the band comprised of five families who selected one of their own number as a head-man who should look after the order and welfare of his company.

The old system of land tax was revised. The land was now divided into the classes of taxable, non-taxable, and common ownership lands. The taxable land consisted of all land distributed by the Handen system. The non-taxable consisted of all sterile lands and the property of the Shinto and Buddhist temples. The common ownership lands comprised all non-distributed and confiscated lands not otherwise classed. These lands were let out to tenants.²

Land measures, the "cho," "tan" and "bü," were established and taxes were collected according to them. The So, or land tax, was 3 per cent. on the estimated product,

¹Takekoshi, *The History of 2500 years*, p. 116.

²Hagino, *The Financial History of Japan*, p. 44.

i. e., two "bundles"¹ of rice from each "tan" of land. In the reign of Emperor Genshō dry land was first assessed, the rate of the assessment being placed at three "shō" of millet for each "tan" of land. This Emperor, in 719 A. D., divided the people into three classes for the better assessment and collection of the tax.² The basis of this classification was age, the division was as follows:

- (a) Young—Between the ages of 17 and 20 years.
- (b) Regular—Between the ages of 21 and 60 years.
- (c) Old—Between the ages of 61 and 65 years.

The Regular class was the standard for the taxation of the Chō and the Yō. Each member of this class was assessed twenty-six feet of cloth annually as his share of the Chō, and other products were commuted to payments of cloth. The Young and the Old were assessed respectively one-fourth and one-half of the Regulars' apportionment.

For the Yō, or man-labor service, each Regular must give ten days annually to labor on public work. This ten days' service might be commuted to twenty-six feet of cloth, and on the other hand, thirty days' labor on public work was taken in lieu of both Chō and Yō. The Old class were assessed one-half the Regulars' amount of the Yō; the Young were altogether exempt.³

The Royal families, those who were over sixty-five years of age or under sixteen years, women and servants, were exempt from taxation.

It is impossible to estimate with any exactness the amount of revenue and annual expenditure. In the light of all the knowledge which is obtainable, Mr. Hagino judges that the annual revenue from all sources was approximately 176,090 "koku" of rice.⁴

¹ One bundle equals 3 gallons, 7 pints.

² Hagino, *The Financial History of Japan*, p. 53.

³ *Ibid.*, pp. 54-56.

⁴ *Ibid.*, p. 74.

CHAPTER II

THE INTERCOURSE WITH KOREA AND CHINA

INFLUENCE OF CHINESE CIVILIZATION, AND ECONOMIC CONDITION OF
JAPAN, 554 A. D. TO 1541 A. D.

I. *Economic Effects of Buddhism.*

Intercourse between the Japanese and the Koreans must have existed from time immemorial. This is rendered the more probable since the distance between the two countries is but one day's sail by boat. The first official intercourse is said to be the arrival of a Korean envoy named Sonakashichi during the reign of the Emperor Suijin, in 33 B. C.¹ By this step, migration between the countries was brought about and favored. The incoming Koreans doubtless brought the knowledge of the civilization existing in their own country, and thus through the peninsula, and not directly from China, did the civilization of the Celestial Empire flow into Japan. In 201 A. D., the Empress Jingo led an expedition against Korea which reduced it to a dependency and placed it under the protectorate of Japan. A yearly tribute of eighty ships laden with gold, silver and precious stones was sent from Korea to the Imperial Court. This relation increased the frequency of communication between the countries, and a stream of Korean immigrants poured into Japan.² Korean weavers, brewers, tailors, embroiderers, and other skilled artisans came in that century. Architects, as-

¹Takekoshi, *The History of 2500 years*, p. 27.

²See Mayo-Smith, *Emigration and Immigration*, p. 35, for "colonists and immigrants," and their differing influence.

tronomers, mathematicians and learned men came from Korea and took up their residence at the Japanese Court in 552 A. D.¹ China's civilization which had been accumulating through many centuries was thus transplanted to the virgin soil of Japan. The yearly tribute from Korea decidedly increased the revenue of the government, and the constant additions of productive labor force through immigration greatly accelerated the growth of the arts and industry. These influences, united with that of a growing commerce, and the new blood pouring into the country, tended to destroy the last vestiges of the old tribal bonds. This and the creation of a heterogeneous organization of society tended strongly to the formation of a military, centralized government.

The influx of Chinese civilization was followed in 554 A. D. by the introduction of Buddhism. The Buddhist missionaries were scholars, teachers, and skilled artisans, who brought with them arts, science, letters and written literature. The Imperial Court, and high officials generally, already the radical adopters of Chinese civilization, were soon made zealous converts to Buddha.

The conversion went on from the upper class of society to the lower, which is a characteristic feature of the Buddhist religion, and its progress was rapid and remarkable. Many temples were built for the propagation of the faith. Idols and priests were brought from the continent, and the spread of Buddhism was coincident with the spread of civilization in the country.

Although the first official intercourse with China was in 462 A. D.,² it was not until after the introduction of Buddhism—that is, in 628 A. D.—that diplomatic representatives were exchanged between the countries and direct intercourse and communication established. With the embassies went

¹ Griffis, *The Mikado's Empire*, p. 83.

² Yokoi, *The History of Japanese Commerce*, vol. i, p. 37.

students and priests to learn the religion and civilization of the Celestial Empire.

The introduction of Buddhism may be regarded, as Mr. Griffis says, as the first of the three great waves of foreign civilization in Japan.¹ The effects of Buddhism as a civilizing force, powerful and far-reaching in the early organization of society in Japan, can scarcely be overstated. The unifying influence of the religion was a mighty force in bringing about the centralized military-religious government of the Taikwa epoch.

The effect of Buddhism on the economic life of the country was not less than on the political and social orders. With the rapid spread of the new religion, the enormous amount of wealth which had accumulated in the country was wasted in establishing idols and temples throughout the land. Emperor Shōmu, 723-748 A. D., constructed an idol which weighed 739,560 "kin" of fine copper, and at the sacrifice of a vast amount of labor. The government was itself transformed into an instrument of religious propagandism, and its example was emulated by the people. Many landed properties were donated to the temples for the support of priests and nuns. The people were taught that to give up all earthly wealth was an essential antecedent condition of asking the blessings of heaven. To donate all one's possessions to the temple was regarded as an act of piety. In this way, like the religious institutions of Mediaeval Europe, the temples became the holders of great landed properties, and were the centres of wealth and power. Priests and temple property were exempt from all taxes, as were the English monasteries before Henry VIII. Decreased revenue, regular deficits and increased expenditure necessarily brought heavier taxation to the people.

¹ Griffis, *The Mikado's Empire*, p. 84. The second was from western Europe in the fifteenth century, and the third from America and the world subsequent to the visit of Commodore Perry.

The Chinese system of officialism gradually created a class of nobility and land owners. The nationalization of land was lost sight of. Those who held land tried to escape taxation by making their property nominally temple lands. Large numbers became priests and nuns, and among these were many educated and industrious people. These were, of course, withdrawn from the productive classes.

The essential teaching of Buddhism is that desires are the cause of all human suffering, and that deliverance from suffering can come only by the extinction of the desires. The motive forces of economic life are the desires of men. Different phases of industry and trade and the outward activities of men are incited and determined by the intensity of their desires. Indeed, human wants are the dynamics of wealth.

The spread of Buddhism led the people to shun the pursuit of worldly affairs, since the production of wealth would stimulate the desires. Such a belief put at the heart of human life could not but have a profound effect on the growth of industry, commerce, trade, and all the business relations of life. Government revenues continued to decrease and weaken in direct proportion to the prestige and force of the Imperial power. The ascendancy of such a religious order and the decadence of the political order could have but one direct economic effect, effectually to check even the thought of material enterprise. The priests played one rôle, however, which should not be overlooked. Diplomatic relations were frequently suspended or sundered between Japan on one side and China and Korea on the other. During these periods the religious unity bound the Japanese priests and those of the continent together, and thus preserved a constant channel of communication with Chinese civilization.

While the economic literature of this period is entirely

lacking, these two facts stand out conspicuously. The Buddhist priests were educated representatives of the Chinese civilization which they taught to the people among whom they lived. The religion they disseminated was hostile to all economic life and progress, of which it dried up the very fountains. A high order of economic life and material welfare must be developed in spite of it and never because of it,

II. *The Development of Commerce.*

In early times when the country was sparsely settled, and the people were organized in tribes, their bartering was carried on quite naturally in places where the people were accustomed to assemble for any purpose. The origin of a common mart in Japan is similar in many ways to that which is traced in European history. It appears that the most frequent occasion of these assemblies was some religious festivity. At the "Utagaki"¹ where the people gathered for singing, all courtship, or rather bargaining for wives, was conducted. This became a great festive occasion. At such gatherings there was a general exchange of commodities. The first market mentioned in the history of Japan was that of Karu, during the reign of Emperor Ojin, 201-310 B. C.

With the increase of the population and the growth of industry the custom of having markets extended to several provinces.² Under the tribal-feudal system there was no government interference or regulation of any sort. Some of the feudal lords in the southwest had been trading with Korea from an early period, and Hakata in western Kiushū was the port of entry and departure. With the introduction

¹ Fukuda, *Die Gesellschaftliche und Wirtschaftliche Entwicklung in Japan*, p. 9. Also Takekoshi, *The History of 2500 Years*, p. 69.

² Yokoi, *The History of Japanese Commerce*, vol. i, p. 3.

of Buddhism came the Korean and Chinese traders, and Hakata and Osaka became the chief centers of foreign commerce.

The inland sea Seto is the Mediterranean Sea of Japan. Many rivers empty into it. On its shores the early Japanese civilization naturally sprang up. Kinai, comprising four provinces along the northeastern shore of the Seto, was densely populated, and Osaka was the center of distribution.

In 749 A. D., Emperor Kammu selected Kioto, thirty miles from Osaka, for the permanent seat of the central government. While foreign commerce is undeveloped, internal trade tends to follow the activity of political and social life. Thus Kioto became the political and economic center of the country. The centralized, monarchical government manifested its activity by general interference in trade and industry. Activities which had been left free to private interests and the enterprise of individuals were now controlled and regulated in detail by the government. Foreign commerce was considered a government monopoly, if not in fact a government function. Officials were set over the markets, and all weights, measures, and market prices were fixed by the government. Hotels were built by the government in Kioto, Osaka, and Hakata, for the especial purpose of entertaining foreign officials and merchants. Individuals were not permitted to trade directly with foreign merchants, and foreign commerce assumed the character of official business. Inasmuch as there were no free transactions between foreigners and the people, all imports were brought in by the foreigners. The imports were mainly silk textiles, brocades, embroidered goods, and coin. In regard to exports, Japanese history is silent; but, judging from the nature of presents which were sent to China in this era, the following were the principal articles exported: sea-weed, quicksilver, military arms, such as swords, bows and arrows, lacquer ware, fans, screens, and gold and silver.

COMMERCE IN THE MIDDLE AGES.

I. *Money and Usury Laws in Japan.*

Money economy comes later than barter, and, regardless of the substance of which the money is composed, that function of serving as a common medium of exchange and measure of values persists. Money itself is a matter of convention, tradition, and custom. Any material substance which a society by conventional agreement recognizes as the common medium of exchange and measure of value may legally become, and may be called, money. Different customs and modes of living are characteristic of varying degrees of civilization, and many different articles have been used as money in various times, places, and degrees of social progress. Among hunters, especially the American Indians, pelts were used for money; cattle among the ancient Greeks; tobacco among the early Virginian settlers. The history of money is in a large measure the history of social advancement. As agriculture was the principal industry of the early Japanese, grain, and especially rice was the medium of exchange. Prices were originally fixed at so many bundles of rice. Later, when a standard of measurement was established, the "koku" of rice was the standard.

Taxes were commuted for a time, as we have already seen, in cloth, but rice was always the popular medium of exchange.

Empress Jingo's expedition in the third century brought to Japan some gold and silver, but this metal was used in the arts, chiefly in idol making. The first historical notice of silver coin was in the reign of Emperor Kensō, 486 A. D., but this was without doubt some coin imported from Korea or China,¹ since there was at that time no production of silver

¹ There was in China a currency of shells in the remotest ancient times in which history is meagre. The words denoting buying, selling, riches, property, prices

in Japan. It is said that the first silver produced in the country was presented to Emperor Temmu in 675 A. D., and the first gold was presented to Emperor Shōmu in 848 A. D.¹ But it is doubtful if these precious metals were not rather some of those which were originally imported from China. After the Korean conquest in the third century a great quantity of the precious metals entered Japan, and it would be difficult to deny successfully that some of these were the ones presented to the Emperors.

In the history of mining, the production of gold precedes that of silver. The first mint is said to have been established in the reign of Emperor Temmu, 675 A. D., but nothing is recorded about coinage in that period. It is highly probable that silver and copper were coined under Emperor Genmyō in 708 A. D. for the first time in the history of Japan.² The coinage of silver was soon abandoned, and copper alone was coined. This indicates that the production of silver was yet too small to permit its use for money, and that copper was more abundant.

The government recognized the convenience of the use of coined money and encouraged its use in every way. The foreign money in circulation was the iron money from Korea and the copper coinage from China. The people, however, did not understand so well the advantages of the metals as a medium of exchange, and rice continued to be the money in popular favor. In order that the people might be more readily inclined to receive coined money, Emperor Genmyō

and many others referring to money and wealth, are composed of the ideographical sign which denotes the word shell. As early as 2852 B. C. money is supposed to have been extant in China. In the period of 2255-1766 B. C. money consisted of yellow, white, and red metals. For the detailed statement, see Vissering, *On Chinese Currency*, Chapter I.

¹ Yokoi, *The History of Japanese Commerce*, vol. i, p. 8.

² *Ibid.*, p. 10.

issued an edict in 708 A. D.¹ granting titles to those who stored more than ten Kwammé of money. He seemed to think that if the people once had it in their possession there would be no further question of its circulation. At least the decree was intended to teach the circulation and use of money. Taxes were commuted in money. For travelers who had always been compelled to carry with them a provision of rice, way-side inns and markets were established where they might buy rice with money. In 714 the purchase and sale of land were restricted to transactions where money was the consideration. The nationalization of land was thus made less strict in order to foster the use of a coined money. But the pertinacity of custom set aside the ruler's good intentions, and clung to rice as the common medium of exchange. The Emperor was unable to impart to coined metal the essential money function of being universally acceptable throughout the country. It was hoarded as a kind of curious commodity.

During two and a half centuries from 708 A. D., fifteen different kinds of coin were issued at twelve different times. Of these coins twelve were copper, two were silver and one was gold. As will be seen from the following table, with each recoinage the money underwent an enormous debasement. Although the new coins were of reduced weight, their value, as fixed by law, was ten times that of the coins replaced. The effect was directly opposite to that intended. The people refused to circulate it at all, preferring to use rice for their medium of exchange. The table, as given by Suganuma, is as follows: ²

¹ Suganuma, *The Commercial History of Japan*, pp. 180 *et seq.*

² *Ibid.*, p. 184.

<i>Year.</i>	<i>Kind of Coin.</i>	<i>Weight.</i>			<i>Legal Value.</i>
		Mommé.	Fun.	Rin.	
708.....	Silver	2	1	0	{ One silver coin equals twenty-five coppers.
708.....	Copper	1	0	0	
761.....	Gold	3	1	0	{ One gold coin equals 10 silver coins. One silver coin equals 10 copper coins. One copper coin equals 10 of previous coinage.
761.....	Silver	—	—	—	
761.....	Copper	1	2	0	{ Same legal value.
767.....	Copper	1	0	5	
797.....	Copper	—	9	9	{ One coin equals 10 of previous coinage.
821.....	Copper	1	0	0	{ One equals 10 of previous coinage.
832.....	Copper	7	0	0	
845.....	Copper	—	5	0	{ One equals 10 of previous coinage.
856.....	Copper	0	6	0	
867.....	Copper	—	7	0	{ One equals 10 of previous coinage.
886.....	Copper	—	7	5	
903.....	Copper	1	0	0	{ One equals 10 of previous coinage.
956.....	Copper	7	0	0	

For more than six centuries from 956 A. D., or down to the time of Hideyoshi, history makes but one mention of coinage. This occurred at the time of the temporary Mikadoate, 1333 to 1336, when Emperor Gotaigo attempted to reform the coinage. He is said to have issued the first paper currency and some copper coins, but his endeavor was buried in the tumult of the war of the Crysanthemums.

During these intervals Chinese coins circulated freely and prices were quoted on a money basis, but they were not determined by the simple and pure consideration of money. "Natural economy" predominated, on the whole, throughout the country. The slow development of "money economy" unquestionably retarded the growth of trade and commerce. The income of feudal lords and the payment of rents were estimated in rice as late as the time of the present

Emperor, whose reign is known as the Meiji period. The actual "money economy" of Japan may be reckoned accurately from the Restoration of 1868.

The reformation of the Taikwa period was based on the Confucian principle that "the ruler is the parent of the people." Paternalism of the most pronounced type was consequently the ideal. Among the many regulations and interferences of the government, those which had direct economic consequences were the regulation of prices by the government and the usury laws. The interference was intended in the beginning to fix the standard of prices in transactions between the government and individuals, but it was carried further in the course of time so far as to fix and regulate the prices of all commodities. These regulations differed from the Mediaeval "just price," which was an abstract conception of the worth of a commodity by common estimation, based on the Christian principle of right and wrong.¹ The successive debasements of the coinage had caused a general rise in prices, and the government undertook to keep down the level of prices by its authority. Buying and selling were prohibited except in markets where prices were fixed and regulated by the government without any regard to the elasticity of supply and demand.

After the system of nationalization of land was broken down, the alienation of land was permitted only under the most careful and minute supervision of the government. Each buyer and each seller was required to secure a permit, witnesses to the transaction were demanded, and the deeds were recorded in the same manner as to-day.

All other commodities were freely bought and sold at the prices fixed by the government. Priests and nuns were allowed to purchase only such articles as were required by their personal necessity.

¹ Cunningham, *Growth of English Commerce and Industry*, vol. i, p. 252.

These various regulations and interferences continued until the thirteenth century, and the government always sought their enforcement, but they were frequently evaded with more or less cleverness. With the decline of the power of the central government the trade restrictions and regulations became mere "dead letters."

There were two kinds of loans, from an early date, but their origin is unknown. One was very similar to the Mediæval "*mutuum*,"¹ and was a gratuitous loan. The other resembled the Mediæval "*damnum emergens*" and "*lucrum cessans*," interest being paid on the principal. The usury laws which were enacted against the latter were explicitly for the protection of debtors. It was entirely apart from religious motives. The government loaned both money and rice to individuals for the payment of interest. In the reign of Emperor Mombu, 705 A. D., the maximum rate of interest for government and private loans was so fixed that the amount of interest could not exceed one-eighth of the principal in sixty days, and the total interest could not exceed 100 per cent. in 480 days.² Compound interest was not allowed. During the reign of Emperor Saga, 809 to 823 A. D., it was decreed that the amount of interest should not exceed 50 per cent. of the principal in one year, and that thereafter no interest should be charged.³ Monks and nuns were not allowed to lend except gratuitously, and government officials might not borrow within their own jurisdiction. In case the debtor should become a bankrupt, he was compelled to repay the loan by his labor-service. For this reason all suits involving debts were brought before the criminal courts. Under the Hōjō rule, loans for interest were prohibited, but interest was paid at the rate of 5 per cent. to 8 per cent. per month.⁴

¹ Cunningham, *Growth of English Industry and Commerce*, vol. i, pp. 256, 257.

² Yokoi, *The History of Japanese Commerce*, vol. i, p. 22.

³ *Ibid.*, p. 58.

⁴ *Ibid.*, p. 84.

II. *Commerce and Foreign Intercourse.*

By the Taikwa Reforms an absolute monarchical government was created and the Emperor became a real ruler directing all affairs of peace and war. The period from 645 A. D. to 930 A. D. is known as the golden age of the Mikado's power. The decline of the Imperial power was due largely to the rapid advance of Buddhism. As has been pointed out, the effect of Buddhism on the formation of Japanese character has been very great. Because of it, it now became the custom for the Emperors to abdicate after short reigns, renouncing all worldly affairs, and becoming monks.¹ From Emperor Kimmei, 571 A. D., to Emperor Gotoba, 1198 A. D., there were fifty-three Emperors, and the average length of their reigns was less than twelve years. Meanwhile, the crafty and powerful nobility formed a "ring" about the Emperors and usurped the administration of government. At the same time, the increase of the property held by the Buddhist temples and the creation of "shōyen,"² or non-taxable land, so depleted the government revenues that the Emperors were dependent on the nobility for financial support. The Fujiwara family gave their daughters in marriage to the Emperors, and were the first ones to usurp the virtual sovereign power. Two powerful military clans, the Taira and the Minamoto families, followed the Fujiwara family, and the strife between them lasted for a century and a half, down to the thirteenth century. The Minamoto family were the final victors. In 1186, their chief warrior, Yoritomo, established himself as Shogun, or generalissimo, at Kamakura, in the province of Sagami. It was a military government and its establishment marked a triumph of the militant democracy of the Northerners—the Teutons of Japan—over the literary

¹ Griffis, *The Mikado's Empire*, p. 114.

² Fukuda, *Die Gesellschaftliche und Wirtschaftliche Entwicklung in Japan*, p. 79.

aristocracy of the Southerners. The center of rule was moved from Kioto to Kamakura, and the Kamakura Shoguns became the *de facto* rulers of Japan, the *de jure* rulers being mere figure-heads of administration.

Under the Shogunate thus begun, the dual system of government was founded. The feudalism which developed under the Fujiwara was now to assume national proportions.

Kamakura, hemmed in as it is by the mountainous region of the eastern provinces, was wholly unsuited for a center of commerce and industry. Very little attention was paid to arts and industry by Yoritomo's rule. The military principle of the Shogunate and the plain and simple customs of the warriors were no stimulus to industrial activity. Their prowess lay in their military skill, and they thought the arts and culture generally fit occupations for the aristocratic nobles at Kioto. But the necessities of transportation and communication between Kamakura and Kioto extended the sphere of commerce toward the eastern provinces.

From 1205 to 1333 was the period of the Hōjō rule. The later representatives of this family were oppressive and tyrannical, but they were able rulers and maintained the peace and order of the country by a simplified administration. During this period the resources of the country were developed, and commerce and industry were so encouraged by the Shogunate that Kamakura rivaled Kioto as the business center of the country.

In the year 1248, the merchant guild known as the "za" was organized. The name signified a seat where merchandise was sold. There were seven of these "za," representing the industries and trades having to do with silk, rice, charcoal, fish, carpentering, dry-goods and horse trading.

Each "za" obtained from the Shogunate the privilege of monopoly by the payment of a sum of money. Outsiders could not engage in the business, the monopoly of which

was so purchased. Interlopers were punished by the same penalties as thieves. Although each "za" was an exclusive body, its membership was open to all who might pay the required fees, which were practically annual dues. The leading advantages derived from the "za" system were, on the one side, increased revenues to the Shogunate, and on the other, the privilege of monopoly and the power of a collective advocacy in any dispute with other traders and with those of the same trade in other towns. In the Ashikaga period the number of the "za" was greatly increased, in order to make them a more prolific source of revenue. Subsequently the crafts-gild, or artisans' "za," was organized in different towns. The "za" system of the organization of industry is in some ways like that of the gild system of Mediæval Europe, but it differs in that it has played no religious or political rôle nor has it ever governed a city. Mr. Fukuda has developed this contrast very ably.¹

It was at this time, 1281 A. D., that the great Mongolian invasion of Japan by Kublai Khan occurred. The successful repulse of the Mongols in what is known as the campaign of the Kōan period had an effect on the Japanese people similar to that which the defeat of the Armada had on the English. An awakening of the adventurous and sea-faring spirit followed, and merchants and adventurers scattered to all parts of the eastern coast of Asia. While some of the adventurers became renowned in Siam and the Philippines, others gave themselves up to piracy. The coasts of China, Korea, Japan, and other archipelagoes were the prey of these buccaneers. This piratical movement extended widely the routes of navigation, and this period saw great progress in the arts of ship-building and navigation.

The civil war of the Crysanthemums devastated Kioto, but in the early days of the Ashikaga period the Kamakura

¹ *Die Gesellschaftliche und Wirtschaftliche Entwicklung in Japan*, pp. 109, 110.

Shogunate removed to it, and Kioto again became the center of rule as well as the economic center of Japan. Internal trade was largely developed, all kinds of products from the provinces were sent into Kioto and Osaka. The system of bills of exchange was introduced at this time, doubtless from China.¹

The sequel of the development of commerce and industry is the unequal distribution of wealth and the creation of social classes. In order to prevent the increasing difference between the poor and the rich, an extreme form of government interference was often resorted to, under the guise of "benevolent administration."² By this existing debts among private individuals were canceled. The origin of this "benevolent administration" is said to have been the exemption from taxes made by the government in order to lighten the burdens of the poor. In the later days of the Ashikaga rule, not only were the taxes heavily increased, but the government floated a public loan and repudiated it by "benevolent administration."

Corruption, effeminacy and luxury were the characteristics of the Ashikaga period, but it was, nevertheless, the most prosperous age of arts and letters, and some of the arts were brought to such a state of perfection that they have been surpassed at no time since then.

Yoshimitsu was a free trader, without perhaps comprehending the significance of his policy. He believed that free exchange of commodities is a source of national wealth. The need of large revenues to maintain his extravagant life caused him to make foreign trade the prerogative of the government. Diplomatic intercourse and trading were not separated, and embassies and priests sent abroad on govern-

¹ Yokoi, *The History of Japanese Commerce*, vol. i, p. 79.

² Takekoshi, *The History of 2500 Years*, p. 471.

ment vessels were allowed to engage in commerce. His strong desire to develop the Chinese trade caused Yoshimitsu to call himself a dependent of the Emperor of China. Southern China was frequented by Japanese vessels, Ningpo being the center of trade at that time. The principal exports were copper, sulphur, fans, screens and swords. Chinese coin was the chief import. In 1448, a commercial treaty¹ was negotiated with Korea by the terms of which Japan might send fifty ships annually and export 20,000 koku of rice and beans from Korea. It was in this Ashikaga period that Japan first became known to western Europe through Marco Polo, and that the first European arrived on the shores of Japan.

III. *Growth of Cities and Industry.*

From 1478 to 1600, is known as the Dark Ages, or War Period, in Japanese history. It was the most individualistic and progressive age in the history of the country. Heretofore compulsory military service was required of each clan or military class whose unifying bond was blood-relationship or the more artificial relations of mutual recognition. The members of these clans were the land owners and constituted the army of provincial nobles. In theory the classes of soldiers and farmers were separate, but they were both productive classes, since soldiery was not yet a profession and the unproductive luxury of a standing army had not yet appeared. The bond of service, however, was so changed that individual discipline and duty, and not clan affiliation, was the basis of military service. The farmer laid down his "kuwa" and took up arms when called. He was free to pledge his fealty to whatever cause or provincial noble gave promise of success, in such a way as most to benefit him and to better his

¹ Yokoi, *The History of Japanese Commerce*, vol. i, p. 123.

condition. Any one capable of bearing arms was welcomed by the provincial nobles, and each man was advanced to positions of trust and power according to his merit. Competition, in the widest sense of the term, modified the social structure, which had been built upon kinship, ranks and caste. The two most famous warriors of the age, Hideyoshi and Iyeyasu, started from humble origin and attained the rank of Shogun by sheer force of merit and ability. It was a period of almost incessant fighting and devastation, but, as in western Europe, cities and industry grew up during the war period. The provincial nobles—veritable feudal lords—had need to protect themselves against unexpected attacks by rival chiefs, and they erected strong castles where their soldiers might always be assembled in case of emergency. Thus the soldiers became professional fighters and formed the standing army of the nobles. About the castles farmers, artisans and merchants settled, both to supply the needs of the soldiers and to enjoy protection for their own lives and property. In this way the cities sprang up. Unlike the cities of feudal Europe, they had no walls but such as the flesh and blood of the citizens might constitute. The castles were built in what were considered strategic points from a military view, and mountainous and partly inaccessible places were often chosen. This peculiarity is noticeable in the old Japanese cities even to this time.

Each province considered the contiguous ones as enemies, and strangers were apt to meet with marked suspicion rather than with hospitality. Tolls and all kinds of restrictions were enforced in order to discourage migration from province to province. Each province had its own standards of money, weights, and measures. This self-sufficing policy was an inevitable concomitant of the war spirit. In order to provide for the great expenditures which were made necessary by their large standing armies, the nobles en-

couraged agriculture and all kinds of industries in their provinces, and the productive labor forces were easily led to establish themselves in the cities about the castles. Many of the nobles, who were actually governing independent princedoms, and especially those in the southwest, engaged in the Chinese-Korean trade, and the importation of foreign money provided for their war expenditures. A new development of ship-building and navigation may be traced to this period. The ships built at this time were much larger than the ships of Columbus and their sailing qualities were about equal to those of the Dutch and Portuguese galleons.¹ Meanwhile mining was developed in the northern provinces, and the mines of Sado, Kaga, and Kōshiū came to be well-known. Judging from the quantity of precious metals exported from Japan by the Europeans in subsequent years,² the production of gold and silver during this era must have been much more than is commonly estimated.

Hideyoshi brought about once again the unification of the country. It was his policy to break down provincialism and to create a universal social organization. The taxation of land, the monetary system, measures and weights, were made to conform to the same standards throughout the land. The abundance of precious metals and the prosperous condition of the country in the later days of Hideyoshi, prompted him to send out an expedition against Korea and China. This expedition set out in 1592. In some respects it may be compared to the Crusades of the Middle Ages.³ A vast army of Japanese marched through the home of an

¹ Griffis, *The Mikado's Empire*, p. 246.

² The Portuguese are said to have exported 59½ millions sterling of precious metals, chiefly gold, from 1550 to 1639. (See next chapter.)

³ Fukuda, *Die Gesellschaftliche und Wirthschaftliche Entwicklung in Japan*, p. 114.

ancient civilization and came in direct contact with the Koreans and Chinese. No permanent foothold on the continent was obtained, and the only material result was the enormous loss of money and of men. But what the Japanese soldiers had seen on the continent and the influence making for refinement and culture which they brought back with them, were no small factors in producing the industrial growth of the country in the Tokugawa regime. With the death of Hideyoshi in 1598 and the battle of Sekigahara in 1600, Iyeyasu brought the whole country under his rule and domination. At this point begins the Tokugawa period.

CHAPTER III

THE BEGINNING OF EUROPEAN TRADE

COMMERCIAL RELATIONS WITH THE WESTERN WORLD, 1541 TO 1868 A. D.

I. *Economic Condition of Europe from the 16th to the 18th Century*

(a) *Mercantilism—Its Development and Theory.*

During the sixteenth century, the growth of commerce and the development of the money economy in the western part of Europe were the principal economic factors in the dissolution of the manorial system, which had become part and parcel of the customs and traditions of centuries. The local self-sufficiency gave way before the activities of commerce, which relieved a community of its surplus and supplied its needs from the abundance of others. The displacement of the old feudal economy founded on exchanges in kind by the new money economy led to the introduction of the wage system, industrial capital, and the relation of contract between employer and employed. Social growth implies changes. The sweeping away of Mediævalism was the change from independent, local institutions to the centralized, national ones. The rise of states in the sixteenth century was the opportunity of absolutism, and each king sought to concentrate his military and monetary forces. It was an age of materialism and struggle for money. In all ages national power and national wealth are intimately related. In order to promote national power, the endeavor to increase wealth became a sort of national passion. As the state became more concentrated politically, its added strength

and prestige were used more directly for commercial ends. The creation of commercial and industrial strength was aimed at and sought by such exercise of sovereign authority as was deemed expedient. National jealousies and rivalries, as well as internal conditions, were the occasion of innumerable encouragements, restrictions, and restraints.

The discovery of the New World and the opening of the eastern trade brought much new treasure, especially silver, into Europe, and the scope of the money economy was correspondingly broadened. Money became the one object of desire and was counted the one essential item of wealth. As a corollary of this conception, the idea became general that the more money there was in a state the more prosperous must that state be. Possessed with this idea, the nations vied with each other and with their own greed in the accumulation of treasure. Foreign commerce was the ideal means of accomplishing this desire, and national industries were encouraged in order that the products might be exported and the precious metals brought in.

It was also generally held that one nation's gain necessarily implied a corresponding loss on the part of another. That a free interchange of commodities could be of mutual profit and advantage seemed to have no place in their economic conceptions. There was no code of international law of anything like common acceptation. In the absence of this, commercial rivalries led to strained relations between the nations. The political schemes and intrigues of the time were almost always based on some real or imagined advantage in commercial relations which one nation possessed over another. When the nations were exhausted by excess of actual war, and peace was declared, embargoes, tariffs, restrictions and reprisals of every sort were resorted to as scarcely less effectual means than war of crippling the enemy. It was the age of "*qui terre a, guerre a.*" And

the same sort of legislation was enacted for the strengthening of national resources and strength. Colbert's tariffs and Cromwell's Navigation Acts were of this character. Thus it came about that the whole period was characterized by the growth and unification of national sentiment, the centralization of political sovereignty and economic prestige, and the national manipulation of industry and commerce to the end of large and ever larger importations of money. Gustav Schmoller, in his comprehensive review of the Mercantile System, has stated this situation in detail.

In such an age of politico-economic struggle the life of each nation depended, both for defense and for timely offense, on its organized efficiency. The economic supremacy of the United Netherlands was possible only because the Republic pursued a vigorous commercial policy under central guidance and control. As localism and provincialism became more conspicuous, after 1700, the decline of the Republic was hastened by so much as these principles were of predominant influence.

The combined effect of the Thirty Years' War and the Reformation movement was the division of Germany into small princedoms and independent states. The unification of the empire was greatly retarded, and Germany, "the mouths of whose great streams passed into foreign hands," was put nearly two centuries behind France and England in the economic competition because she was not concentrated as were they.

The movement toward a pronounced nationalism was the social product of the times which has come to be known as "mercantilism." In England it started long before the controversy on the Balance of Trade and the Bullion Policy of the East India Company, even in the time of Richard II. Schmoller gives this summary of the system:¹ "The

¹ *The Mercantile System*, p. 51.

essence of the system lies not in some doctrine of money, or of the balance of trade; not in tariff barriers, protection duties, or in navigation laws; but in something far greater, namely, in the total transformation of society and its organization, as well as of the state and of its institutions, in the replacing of a local and territorial economic policy by that of the national state."

Ingram points out that this movement was not the conscious product of scientific thought or of deliberate purpose and plan on the part of states and statesmen, but was wrought out by the force of circumstances and conditions.¹ Thus it happens that in different nations mercantilism assumed different forms and was known by different names, but the essential and vital principle was the same. In France it was known as the Restrictive System, or "Colbertism," while in other countries it was called the Industrial System and the Balance of Trade. But nowhere was economics distinguished from politics. It was considered rather a sub-division of the science of statesmanship.

From the standpoint of economics, the mercantilists held four erroneous ideas concerning money. No distinction was made between private and public wealth; money was thought to be, if not the sole, at least the most important form of wealth; money, by its very presence, indicated prosperity, and hence, the more money the more prosperity; and its hoarding as treasure for use in offense and defense was held to be a necessity. There can be no question that they held exalted ideas of money, but they are wrong who condemn the mercantilists on the ground that they identified money and wealth. They recognized the conventional character of money; they considered it an index of prosperity; but they did not fail to recognize that commerce and industry, not the making of currency, was the sure means of

¹ *History of Economics*, p. 39.

increasing the wealth and power of the nation. They aimed at national self-sufficiency—that is, that the nation should produce, so far as possible, everything needed for its own consumption and the surplus exported. By this means the money of a nation would be all kept at home and the nation be correspondingly prosperous. Consequently the export of bullion, staple goods and raw material was prohibited along with the importation of manufactured articles. On the other hand, the importation of raw material was free and the exportation of manufactured goods was encouraged by bounties. It must be borne in mind that restrictive duties were not in themselves an essential condition of mercantilism, but depended rather on the relation of industry and trade to the economic condition of the country.

To encourage manufactures, shipping and foreign commerce by state interference resembles the program of socialism in some respects, but it differs wholly in ultimate ends. The one aims to secure national self-sufficiency, the other seeks to improve the condition of wage-earners.

Judged by the standard of modern economic theory and practice, mercantilism is seriously defective, but in its day it was an advance from past conditions and was productive of important results. List calls it the “industrial system,” and discusses its merits in comparison with later systems. He says of it: ¹ “It assumes the importance of manufactures and their influence on the agriculture, commerce, and navigation of a country, and frankly acknowledges their importance. It aims, in general, at the best mode of establishing industry in a nation properly situated for that purpose. It takes the idea of a nation as its starting-point, and, treating nations as units, keeps the attention fixed constantly upon national interests.”

¹ List, *National Economy*, p. 414.

(b) *Rival Commercial Empires in the East.*

The extension of the money economy and the disruption of the gild system led to the appearance of the capitalist class. At the same time, and largely for the same reasons, came the rise of competition and competitive prices in place of former monopoly and fixed prices. Capital had long been in existence as a product of accumulation, but it had not until now been used on a large scale as an instrument for exploiting commerce and industry in the production of wealth. According to Karl Marx, industrial capital originated in the sixteenth century. Lassalle ascribes the overthrow of Mediævalism to the growth of capital through trade, and attributes the enormous increase of capital to the discovery of the New World and the opening of the trade routes to the East.

The struggles for economic supremacy were by no means confined to Europe, but were carried on in distant lands under the system of chartered joint stock companies. The States stood behind the companies, and the principle of mercantilism was extended to the commercial rivalry in the Far East.

The famous voyage of Vasco de Gama was soon followed by that of Pedro Alvarez Cabral, who established trading posts at Cochin and at Caunamore on the Indian Ocean in 1501. Ten years later, Malacca,¹ the seat of all the commerce of the Spice Islands, was captured by the Portuguese. China was reached in 1517.² The Portuguese thus began to monopolize the trade bordering the Indian Ocean. They established commercial and military stations along both the Atlantic and the Indian coasts. They had undisputed commercial supremacy. The decline of this commercial empire dates from 1580, when the crowns of the Iberian peninsula were united in the person of Philip II. The trading posts

¹ Morris, *History of Colonization*, p. 211.² *Ibid.*

of the East and the vessels of the Portuguese were exposed to the attacks of the hostile powers and enemies of Spain. Political corruption contributed to the exhaustion of national energy. In order to keep the monopoly of the Oriental trade in the markets of Europe, the Portuguese undertook to maintain political authority over the entire area from Gibraltar to the Far East. Such an enterprise was too great for a nation whose population is estimated at 3,000,000.¹

In 1640 Portugal became once more independent, and its colonial aspirations were directed this time to the west instead of to the east.

The colonial policy of Spain differed materially from that of the Portuguese. While Portugal was extending her commercial interests to the East and among people of old civilizations and established customs, Spain was establishing her sovereignty by means of colonies among the barbarians of South and Central America.² The Spaniards met less resistance generally from the semi-civilized people than Portuguese did in the Far East. But the Spaniards were neither a commercial people nor good colonizers. Their object was to exploit the mineral deposits of the colonies by native laborers. For this reason Spain's colonial policy exhibited the most extreme form of the restrictive system. Her ceaseless political embroilments made her the prey of hostile powers, and she granted private rights of trade to none, but reserved to herself the monopoly of all trade privileges, conducted the enterprises for the profit of the Crown, and made her colonial policies a creature of state monopoly.³

Vast amounts of the precious metals, principally silver from Mexico and Peru, were brought into Spain. The abundance of treasure led the Spaniards to look upon

¹ Cunningham, *Western Civilization*, vol. ii, p. 189. ² *Ibid.*, p. 190.

³ Morris, *History of Colonization*, vol. i, p. 261.

industry as low and base, an occupation tending only to debasement. But the costly wars of Charles V. and the luxurious extravagance of Philip II. made it impossible to keep these deposits of treasure at home despite the bullion policy of the government. Few industries had been established, and the metal treasures of Spain gradually found their way to Genoa, Amsterdam, and other commercial and industrial centers.

Dutch commerce commended itself from the first by the excellence of the wares of native manufacture. Their woolen industry was especially prosperous. The Dutch imported corn from Poland, Russia, and Prussia for their own consumption and for the trade which they supplied along the Mediterranean Sea. Their trading extended to America, to the East Indies and to the Far East. The commercial policy of the Dutch government was peculiar at that time. They attempted the subjugation of no part of the Far East, but they succeeded in breaking up the monopoly enjoyed by the Portuguese and Spanish traders, and drove them out from one place after another. The Dutch East India Company, which played so great a role in the eastern trade, was formally organized and chartered on the twenty-ninth of March in 1602. Its capital stock was five million dollars, divided into 2153 shares.¹

The prosperity of the Dutch traders was due to the fact that they directed their efforts solely to securing profitable trade. They were indifferent to the acquisition of territory and to the political and religious affairs of the natives of the countries with which they traded. They were welcomed by the natives and met with no difficulty in establishing trading-posts in the East. By this purely economic policy the Dutch gained one point, but lost another. They enjoyed unexcelled prosperity in the Oriental trade, but gradually

¹ Morris, *History of Colonization*, vol. i, p. 334.

fell before the energetic and centralized rivalry of France and of England. The Dutch traders were not free from the economic fallacies of the time. They began their commercial enterprises with the most liberal economic policy and doctrine of the age, but gradually assumed the heritage of monopoly which they had wrested from the Portuguese and Spaniards. They undertook to limit the supply of Oriental goods by destroying the surplus and thus assuring to themselves control of the European markets. The rise of jealous rivals tempted them to increase their restrictive measures, which tended only to hasten the decline of their commercial power and pre-eminence.

II. *The First European Trade*

(a) *The Portuguese and the Spaniards : The Hollanders and the English.*

Japan was first known to the Europeans through the Venetian traveler, Marco Polo, who wrote in the thirteenth century of his travels in the East. He called the country "Zepang," the land of gold and of silver. It was nearly three centuries later that direct and regular commercial intercourse between western Europe and the leading countries of the East was established by the persistent enterprise of the Portuguese seamen and traders. The discoveries of Vasco de Gama were followed up by extensive explorations by the Portuguese. As early as 1510 they obtained a foothold at Goa, some three hundred miles north of Calcutta. The following year they established a trade-station at Malacca, where the trade of the Spice Islands and of all the East was concentrated. In 1517 they pushed on into Siam and southern China and made trade settlements at Macao and at Ningpo. In 1541, while plying on a Chinese junk between Dodra, Siam, and a Chinese port, certain Portuguese traders were driven by a storm and reached the shore of Ka-

goshima, Japan. The names of these traders were Antony de Moto, Francis Zimoro, and Antonio Perota.¹ Two years later, September 23, 1543, another Portuguese adventurer, Fernao Mendez Pinto, and his Chinese comrades, while sailing along the China Sea were driven by a Monsoon storm to Tanegashima, Japan. It was this Pinto who introduced fire-arms and the manufacture of gunpowder into Japan. It is narrated that one thousand Rio of silver was given for a fire-arm and that Pinto's comrades cleared more than twelve hundred per cent. on their cargo. Although Pinto is generally known as the first European who reached Japan, the honor or prestige unquestionably belongs to the three above-named. Moto, Zimoro, and Perota returned to Siam, and Pinto and his comrades returned to Ningpo whence they came. These Portuguese doubtless told their fellow-countrymen what they had seen in Japan, with possibly some exaggeration. At any rate much interest was aroused and the attention of the Portuguese settlers in Siam and Ningpo directed to Japan. As an immediate result, nine vessels were at once fitted out for the Japanese trade. This fleet was followed by others and the new trade proved lucrative and increased accordingly. The Portuguese had but few products and manufactured articles of their own, but they brought from China and India brocades, silk textiles, drugs, and sugar. They also introduced into the country sheep, goats,² potatoes and tobacco.³ The chief items of Japanese export were gold and silver.

This was at the time of the war period of Japanese history, and the provincial nobles needed the fire-arms which were

¹ Nachod, *Die Beziehungen der Niederlandischen Ostindischen Kompagnie zu Japan*, p. 30.

² Hildbreth, *Japan and the Japanese*, p. 67.

³ Satow's account of the introduction of the weed in *Transactions of the Asiatic Society of Japan*, vol. vi, p. 68.

being imported. These rivals, jealous of each other's prosperity, were most willing to open their ports to foreign trade and to welcome the Portuguese traders. There has never been freer trade and foreign commerce in Japan than at this time. Foreigners were permitted to travel at will through the country and to enter any port along the coast of Japan. The missionary followed the trader.

Portuguese merchants in those days were accompanied wherever they went by friars and Jesuits. The zeal and devotion of the Jesuit missionaries in the propagation of their faith were met in this instance by a remarkable, if ephemeral, success. Francis Xavier reached Japan in 1549. He and his successors "reaped within twenty years a harvest of three hundred thousand souls in the highest and the lowest walks of life."¹ Among the converts were several princes and a number of feudal chiefs.

On February 20, 1582, ambassadors were sent to bear their submission to the Holy See and to kiss the feet of the Pope. They were sent by the provincial nobles of Bungo, Arima and Omura, on board a Portuguese ship.²

In the propagation of the new faith the Jesuit missionaries employed the spirit and methods of the Inquisition. They violently attacked the Buddhists, insulting their gods, and inciting them to destroy the idols and temples. They did not confine their activity and influence to matters of religion, but seemed to be animated with political purposes. Commercial motives and religious principles were combined and the traders and Jesuits, working together for their mutual advantage, played the one against the other so as to compel the reception of the faith as a condition of the benefits of trade. The priests persuaded the merchants to establish their head-

¹ Nitobe, *Intercourse between the United States and Japan*, p. 10.

² Suganuma, *The Commercial History of Japan*, p. 322. A copy of the original letter from the feudal chief of Bungo to the Pope.

quarters where the provincial nobles were converted and where Roman Catholic domination might be obtained. The provincial noble of Kagoshima was indifferent to the new faith and not at all disposed to yield to the dictation of the Roman Catholic representatives. As a result, the trade station was at once removed from Kagoshima to Hirato. The latter port was opened in 1550 and became the center of Portuguese trade. When the Jesuit missionaries ascertained that the provincial noble of Hirato was not a ready or willing convert to the faith, they entered into a negotiation with the noble of Omura, and three other ports, Yokose, Fukuda and Nagasaki, were opened in order to ruin the prosperity of Hirato. The three ports were not over forty miles from Hirato. The demands made on the noble of Omura by the Jesuit missionaries was as follows:

"(1) Protection for the Roman Catholic Church and missionaries. Four miles square of the settlement to be opened and all taxes to be exempted therein, and those who are not Christians not to be allowed to live in the settlement without the permission of the Catholic priest."

"(2) The Portuguese residing in the settlement to be exempt from all kinds of taxation, and those who trade with the Portuguese to be exempted from duties for ten years." ¹

The Roman Catholic influence soon controlled the port of Nagasaki and it appeared to be a part of the papal dominion. The Jesuits conducted themselves arrogantly, and when their ambitious designs became known, the native converts showed their impetuous character. And added to this aggravation, were the political claims of the Pope. "The novel doctrine that there was a King of kings to whom all allegiance was primarily due, and that the vicar of this King did actually reign in Rome, would have been enough to rouse the jealous susceptibilities of any ruler." ²

¹ Suganuma, *The Commercial History of Japan*, p. 305.

² Nitobe, *Intercourse between the U. S. and Japan*, p. 11.

Hideyoshi, having restored the unity and order of the country, saw the threatening character of the new religion. Although not anti-Christian himself, he determined to drive the Jesuits out of the land. The following letter from Hideyoshi to Dom Edward de Meneszez, the Portuguese Viceroy of Goa, distinctly affirms his policy, namely, to separate commerce from religion; to encourage the former, to reject the latter. The letter was dated July 25, 1592, and is of historic importance both to Japan and to the western world. It is as follows: ¹

“As to what regards religion, Japan is the realm of the Kami, that is, of Shin, the beginning of all things; and the good order of the government depends upon the exact observance of the laws of which the Kami are the authors. They cannot be departed from without overturning the subordination which ought to exist of subjects to their sovereign, of wives to their husbands, of children to their parents, vassals to their lords, servants to their masters. These laws are necessary to maintain good order within and tranquillity without.” “The fathers, called the Company, have come to these islands to teach another religion; but as that of the Kami is too deeply rooted to be eradicated, the new law can only serve to introduce into Japan a diversity of worship very prejudicial to the state. It is on that account that, by an Imperial edict, I have forbidden these strange doctors to continue to preach their doctrine. I have even ordered them to leave Japan, and I am determined not to allow anybody to come thither to retail new opinions. But I still desire that commerce, as between you and me, may continue on its old footing. I shall keep the way open to you both by sea and land, by freeing the one from pirates and the

¹ Suganuma, *The Commercial History of Japan*, pp. 329-330. The original letter is copied here. A translation is found in Hildbreth, *Japan and the Japanese*, p. 110.

other from robbers. The Portuguese may trade with my subjects in all sincerity, and I shall take care that nobody harms them."

What Hideyoshi did was for the safety of the national existence. He was not so blind as to confuse religious prejudices with commercial interests. He desired to make a commercial Japan, but he could not tolerate political interference under the guise of religious propagandism. The sad work of religious persecution, for the first time in Japanese history, began in 1587, just 45 years after the arrival of the Portuguese in Japan.

Notwithstanding the fact that the crowns of Spain and Portugal had been united in Philip II. a fierce jealousy and hatred continued to exist between the two nations. This feeling was exaggerated in the trading posts of the East. The Spanish traders at Manila looked with envy at the Portuguese monopoly of the Japanese trade, and seized every opportunity of opening up trade with Japan. In 1548, twenty years after their discovery of the Philippine Islands, the first Spanish vessel came to Yatsuya in the province of Bungo. In 1564, for the second time, a Spanish ship came to Japan, landing at Goshima in the province of Hizen. In 1567 another Spanish ship came, this time to Amakusa, in the province of Higo, and after an interval of thirteen years another came to the port of Hirato. These ships were plying between Acapulco, New Spain (Mexico), and Manila, P. I., and touched en route at the southern ports of Japan. Through the means thus opened, the Friars, Dominicans and Franciscans, poured into Japan from Manila. As the different orders of the Catholic missionaries increased they began to encroach on each other's territories, or parishes. This gave the start for quarrels, incidental squabbles and mutual vituperation and vilification. A brief of Pope Gregory XIII., in 1585, forbade under

pain of the greater excommunication, any but Jesuits to proceed to Japan with the view of exercising any ecclesiastical function there.¹ But as there was no authority to enforce it, this Bull only served to arouse and excite the Dominicans and Franciscans, and they at once began to denounce the Portuguese Jesuits to the Shoguns. Thus the commercial and ecclesiastical quarrels between the Portuguese and Spaniards and the immediate disturbances were the chief causes of the utter destruction of the intercourse of Japan with Europe. The religious phases of the matter are of no concern here. The European trade of Japan was open to Portugal and Spain, but the latter enjoyed only a small part of it. The relations between Spain and Japan were rather religious than commercial. The foreign commerce of Japan continued to be practically a monopoly of the Portuguese until the arrival of the Dutch traders.

The five Dutch vessels² which formed the East India fleet sailing by way of the Straits of Magellan were wrecked in 1599 on the coasts of Chile. One of the fleet, the *Charity*, steered for Japan, and on April 12, 1600, arrived at one of the ports in the province of Bungo. This was the first arrival of the Hollanders in Japan, and the first step in breaking the monopoly which the Portuguese had had of the Japanese trade. The pilot of the Dutch vessel was an Englishman named William Adams.

At that time Iyeyasu was centralizing the government and bringing it under his sway. It was his fixed policy to foster commerce and trade in every way. In an interview with Iyeyasu, Adams narrated how the Dutch were a commercial people, desiring friendship in the way of trade, and that they had in their country all kinds of commodities which might

¹ Hildbreth, *Japan and the Japanese*, p. 117.

² Nachod, *Die Beziehungen der Niederländischen Ostindischen Kompagnie zu Japan*, p. 94.

be exchanged with the Japanese to their mutual advantage. Adams was treated with the greatest kindness, and was prevailed upon to remain in the country by Iyeyasu, who undertook to make him contented by giving him "a living like unto a lordship in England, with eighty or ninety husbandmen as his servants and slaves."¹

The news conveyed to Amsterdam by the crew of the *Charity* aroused much interest there among the Dutch merchants. In 1607 the East India Company fitted out a fleet of thirteen ships known as the *Verhaeven* fleet, and these left Amsterdam on Dec. 12. But two of the ships made the entire voyage, and they, the *Red Lion* and the *Griffon*, reached Hirato in July, 1609. Through the good offices of William Adams they obtained the most favorable terms for trading, and they established a trade centre at Hirato. Shortly after, Iyeyasu sent the following letter to the King of Holland:

"And further, whereas the Hollanders, your Majesty's subjects, desire to trade with their shipping in my country and to traffic with my subjects, and desire to have their abiding near unto my court, whereby in person I might help and assist them, which cannot be as now because of the inconvenience of the country; yet, notwithstanding, I will not neglect to be careful of them, as I already have been, and to give in charge to all my governors and subjects, that in what places and havens, in what ports soever they shall arrive, they shall show them all favor and friendship to their persons, ships and merchandise; wherein your Majesty or your subjects need not to doubt or fear aught to the contrary. For they may come as freely as if they came into your Majesty's own havens or countries, and so may remain in my country to trade. And the friendship begun between

¹ Hildbreth, *Japan and the Japanese*, p. 139.

me and my subjects with you shall never be impaired on my behalf, but augmented and increased."

"Whereof this shall serve for a testimony; that they in all countries, places and islands under mine obedience, may trade and traffic and build houses serviceable and needful for their trade and merchandises, where they may trade without any hindrance at their pleasure, as well in time to come as at the present, so that no man shall do them any wrong. And I will maintain and defend them as my own subjects."¹

This letter was sent in July, 1610.

Immediately upon the return of the Red Lion to Holland, the Dutch East India Company fitted out another fleet for the Japanese trade. The first to arrive at Hirato was a small vessel, the *Broch*, in July of 1611. Through the good influence of William Adams the Dutch commissioner, Jacob Spex, obtained from Iyeyasu the letters-patent which reads as follows:²

"All Dutch ships that come into my Empire of Japan, whatever place or port they put into, we do hereby expressly command all and every one of our subjects not to molest them in any way, nor in any way to be hindrance to them; but on the contrary, to show them all manner of help, favor, and assistance. Every one shall beware to maintain the friendship in assurance of which we have been pleased to give our Imperial word to these people; and every one shall take care that our commands and promises be inviolably kept."

On September 28, 1611, a Dutch ship, the *Broch*, sailed for Holland, and by it William Adams sent a letter to an Englishman residing in Java. In his letter Adams gave an

¹ Suganuma, *The Commercial History of Japan*, p. 502. English translation by Hildbreth, *Japan and the Japanese*, p. 143.

² Suganuma, *The Commercial History of Japan*, p. 509. Translation by Kämpfer, *The History of Japan*, b. iv., p. 382.

exaggerated account of the wealth and profit of the Japanese trade. "You shall understand," wrote Adams,¹ "that the Hollanders have here an Indies of money, so that they need not to bring silver out of Holland to the East Indies, for in Japan there is much gold and silver to serve their turn in other places where need requireth." He enumerated as vendible in Japan for ready money, raw silk, damask, black taffetas, black and red cloth of the best kinds, lead, etc. This letter, under date of October 22, 1611, appears to have reached England finally. But independently of Adams' letter, the London merchants obtained the news from the crew of the Dutch ship, the *Red Lion*, and they had already despatched the *Glove*, on January 5, 1611, for Japan, and had followed this in April with three more ships, the *Clove*, the *Thomas*, and the *Hector*. The fleet was under the command of Capt. John Saris, an old adventurer in the East, and arrived at Hirato on June 10, 1613. Capt. Saris presented a letter and presents from King James I. to Iyeyasu, and, through the efforts of William Adams, succeeded in establishing commercial relations between England and Japan. The letters-patent given to Capt. Saris by Iyeyasu, which may be regarded as the first commercial treaty between the two countries, were as follows:²

"(1) Imprimis. We give free license to the subjects of the King of Great Britain, namely, Sir Thomas Smith, governor, and the company of East India merchants and adventurers, forever, safely to come into any of the ports of our Empire of Japan, with their ships and merchandizes, without any hindrance to them or their goods, and to abide, buy, sell, and barter, according to their own manner, with all

¹ Hildbreth, *Japan and the Japanese*, p. 160

² Suganuma, *The Commercial History of Japan*, p. 518. For English translation see Hildbreth, *Japan and the Japanese*, p. 169.

nations; to tarry here as long as they think good, and to depart at their pleasure."

"(2) Item. We grant unto them freedom of custom for all such merchandizes as they now have brought hither or hereafter they shall bring unto our kingdom, or from hence shall transport to any foreign port; and do authorize those ships that hereafter shall arrive and come from England, to proceed to present sale of their commodities, without further coming or sending up to our court."

"(3) Item. If any of their ships shall happen to be in danger of shipwreck, we will our subjects not only to assist them, but that such part of ship and goods as shall be saved be returned to their captain or Cape-merchant, or their assigns; and that they shall or may build one house or more for themselves in any part of our Empire where they shall think fittest, and at their departure to make sale thereof at their pleasure."

"(4) Item. If any of the English merchants or other, shall depart this life within our dominions, the goods of the deceased shall remain at the disposal of the Cape-merchant, and all offences committed by them shall be punished by the said Cape-merchant according to his discretion: our laws to take no hold of their person or goods."

"(5) Item. We will ye, our subjects, trading with them for any of their commodities, pay them for the same according to agreement, without delay, or return of their wares again unto them "

"(6) Item. For such commodities as they have now brought, or shall hereafter bring, fitting for our service and proper use, we will that no arrest be made thereof, but that the price be made with the Cape-merchant, according as they may sell to others, and present payment upon the delivery of the goods."

"(7) Item. If, in discovery of other countries for trade,

and return of their ships, they should need men or victuals, we will that ye, our subjects, furnish them for their money as their need shall require."

"(8) Item. And that without further passport they shall and may set out upon the discovery of Yezo or any other port in and about our Empire."¹

Capt. Saris, having replaced with fifteen Japanese sailors those of his crew who had died or deserted, left Hirato, December 5, 1613, and arrived at Plymouth, September 27, 1614. These Japanese sailors must have been the first Japanese who landed in England.

The English had an auspicious beginning and seemed to have every opportunity before them. While the Portuguese tried to keep away the incoming heretics, the Dutch and the English, there was a keen rivalry between the Dutch and English themselves. In 1616, two English vessels came to Hirato and found great difficulty in trading because of the competition of the Dutch. Inasmuch as King James I. was a Roman Catholic, the Dutch made use of that fact as a plausible basis to libel the English and to class them with the Portuguese and Spaniards. In this way the Japanese began to look upon the English with much suspicion. Meanwhile, after the death of Iyeyasu, in 1616, the religious intolerance and persecution became more violent than before. The Spaniards were suspected of smuggling missionaries into the country and were forbidden, consequently, to come to Japan. By the edict of 1624, all the ports of Japan were closed to foreign commerce with the exception of Hirato and Nagasaki, the former being open to the Dutch and English, and the latter to the Portuguese. All the attempts made by the English to increase the Japanese trade were unsuccessful. After expending £40,000 in the effort to maintain it, the English East India Company decided, at the Council of

¹ Cape-merchant may mean a general commercial manager.

Batavia, to abandon altogether the trade with Japan.¹ This was in 1623.

The Portuguese, accused of having encouraged the Shimabara Revolt, in 1635-1637, were excluded from the country by the edict of 1638. This left the Dutch the sole agents of European trade in Japan.

(b) *The Commercial Policy of Iyeyasu.*

Iyeyasu, having succeeded in attaining the Shogunate after the country was exhausted by a long period of foreign and civil wars, made it his fixed policy to encourage trade and commercial intercourse with foreign countries. He believed that the best means of establishing peace and of increasing the wealth of the country, was to develop foreign commerce. He conceived that the free exchange of products and service was a leading source of national wealth, and that the wider and more extensive the commercial intercourse, the more prosperous and wealthy would the country be. As noted in the preceding pages, Iyeyasu's letter to the King of Holland, his letters-patent granted to Jacob Spex and the crude form of commercial treaty with England all bear witness to his breadth of view, his keen commercial acumen and his intuitive grasp of the fundamental truths of free international exchange. History discloses no more conspicuous example of trade perfectly unrestricted for the stated purpose of the mutual advantage of the nations concerned. All the doors of Japan were open to foreign commerce and foreigners were given every privilege enjoyed by the Japanese themselves; no customs were exacted and no restrictions contemplated; the coasting trade by foreign vessels was granted without question; the rights and property of foreigners were protected and so guaranteed as to allow the privilege of extra-territoriality.

¹ Nitobe, *Intercourse between the U. S. and Japan*, p. 19.

While contemporary Europe was flooded with the ideas of mercantilism, and national policies were giving rise to all sorts of jealousies, hostilities and restrictions, the avowed national policy of Japan was based on the principles of humanity, friendship, freedom and peace. The contrast in this age between the Occident and the Orient is striking and suggestive.

At the opening of the larger commercial history of Japan, it is found that Iyeyasu's active policy and persistent efforts were to maintain intercourse with foreign nations on the basis of cosmopolitan interests. The first attempt was to induce the Spanish vessels plying between Acapulco and Manila to touch at one of the ports in the neighborhood of Yedo. By this means it was intended to open a direct commercial route between Japan and Mexico. To this effect, he sent a letter¹ to the Spanish governor of the Philippines, in October, 1601, referring to the mutual advantages of trade, and saying that if the Spanish seamen would guide the Japanese merchant ships to the Mexican trade, he would, in return, open the ports of Japan to the Spanish vessels plying between Mexico and the Philippines. The Spanish governor replied that the Spanish vessels might touch at such ports in Japan as Iyeyasu should open, but he left unnoticed the matter of the Mexican trade. In 1608, Iyeyasu opened the port of Uraga, in the province of Sagami, to the Spanish trade.² The privilege of coast trading was also granted to the Spanish ships. But efforts were not relaxed to open up communications with Mexico. In 1610, under the direction of William Adams, two ships of European model, one of 80 tons and the other of 120 tons, were fitted out. The vessels were finished in 1611. About this time, a Spanish ship happened to be wrecked on the coasts of Japan, and Iyeyasu

¹ Suganuma, *The Commercial History of Japan*, p. 374.

² *Ibid.*, pp. 380-383. Letters-patent to Spanish vessels.

took the opportunity of sending the rescued Spaniards back to Mexico on board his new vessels, and thus succeeded in establishing the route between Mexico and Japan, but it is not known how long the trade so begun continued.

In 1616, a Japanese vessel, having on board a mission to the Pope from a feudal chief of Sendai, Japan, sailed across the Pacific to Mexico. At this time Japanese vessels frequented Java, Manila, Anam, Siam, Malacca, southern China, Korea, and even India. The activity of the trade between Japan and Siam is witnessed by the number of Japanese settlers in that country. In Aynthia, the capital of Siam at that time, and in Potami, the commercial center of the gulf of Siam, there were Japanese colonies whose population reached eight thousand. The trade between Japan and the Philippines lasted for more than fifty years from 1580, and there were at one time more than three thousand settlers (Japanese) in the island of Luzon.

Commerce and piracy were closely related in those days, and especially so on the Japan and China seas. Piracy was so prevalent that Iyeyasu tried in every way to discourage it while he was trying to establish commercial relations with foreign nations. He adopted the system which Hideyoshi, his predecessor, had instituted, of granting a license which was called the "Letter with Red Seal" to the merchant marine engaged in legitimate trade. One hundred and ninety-eight vessels received this "Letter with Red Seal" between 1604 and 1616. The licenses were granted to all Japanese vessels and to a few foreign ships.¹

Iyeyasu negotiated a treaty of peace with Korea through the feudal chief of Tsushima, and concluded a commercial treaty in 1609.² He also sent a letter to the viceroy of Foukien, China, in order to open up the southern China trade

¹ Suganuma, *The Commercial History of Japan*, pp. 417 *et seq.*

² *Ibid.*, p. 394.

to the Japanese. Although this proposal for peace addressed to the viceroy may seem a very elementary affair now, it exhibits faithfully the broad features of the policy of Iyeyasu. The proposal for a treaty was as follows:¹

“(1) Japanese merchant vessels may come to Chinese ports to trade.

“(2) The two countries, Japan and China, shall send their merchant vessels to the Lew Chew Islands, and trade there on equal terms for mutual advantage.

“(3) Japan shall send her commercial agent to China each year in order to look after the commercial interests of both countries.”

Iyeyasu planned to bring Chinese traders to the Lew Chew islands, which fell barely within Japanese possession, and to develop the wealth of the islands.

So mindful was Iyeyasu of the peace and welfare of the country, as well as of establishing commercial relations with foreign countries, that he declared every foreigner who obeyed the laws and traded honestly to be very welcome. “Yea, even if devils come from hell, they shall be treated like angels from heaven” so long as they heartily submitted to the laws he established.²

It will be seen that the policy of Iyeyasu was that of the “open door” in the literal and widest sense of that term. On the other hand, his policy was weak in two points especially.

Desiring to avoid all political relations and responsibilities, he undertook to confine his attention and relations to trade alone. He did not see that commercial and political relations are inseparable. As commerce expanded and trade relations multiplied, political relations would become more

¹ Suganuma, *The Commercial History of Japan*, p. 411.

² Rein, *Industries of Japan*, p. 522.

intimate and complicated as a necessary consequence. Economic motives alone controlled Iyeyasu in the determination of his policy, and as with the contemporary Dutch and the more ancient Phœnicians, commerce was not a means to an end, but an end in itself.¹ He advocated a "peace at any price" program, seeking only prosperous trade connections with other countries. Even though Japanese merchant ships might be plundered by pirates, and Japanese settlers in foreign lands driven away or murdered, Iyeyasu did not consider it of sufficient importance to cause him to risk, by any interference, the hazard of a foreign war. The spell of Hideyoshi's disastrous expedition to Korea was on him, and he purposed to avoid foreign entanglements at whatever cost. Such a policy of non-resistance to the last extremity made the decline of Japan's commerce inevitable. Iyeyasu would gladly enjoy the luxury of a prosperous foreign commerce, but he had no mind to endure the anxieties and perils of an aggressive foreign policy to sustain it. Yet the one involves and implies the other. The decline of Dutch commercial supremacy illustrates this fact. Just so far as the States-General were for "peace at any price" so far were they opening the way for ultimate commercial defeat.

Iyeyasu, admonished by the early extinction of his predecessor's family, sought to augment the power and prestige of his own house. His policy of internal administration was shaped to this end. It was an ingenious arrangement by which feudal chiefs were made to offset each other, and clans were set over against clans. The dynasty founded by Iyeyasu endured for nearly three centuries, so shrewdly and carefully were his plans devised. He did not scruple to sacrifice the general good at such times as he deemed the security and permanence of his Shogunate at stake. When

¹ Cunningham, *Western Civilization*, vol. ii, p. 205.

some of the southern feudal lords were engaged in foreign trade and profiting greatly by it, he issued an edict closing some of the ports. He plainly feared that too great wealth in their hands would menace his authority, and that the descendants of these trader-chieftains might assert their strength to the overthrow of his family and its hereditary power. His Shogunate continued until the Restoration of 1868. During this long period his descendants and successors both misunderstood and misapplied the actual policy of Iyeyasu. They overlooked or ignored its elements of breadth and strength, while they emphasized its weaker features and enforced them to the great detriment of Japan. They perpetuated those parts of his policy which sprang from his determination to put an end to religious and political interference. They excluded the main feature of his policy, "open doors" and full freedom of industrial intercourse.

(c) *Exclusive and Inclusive Policy.*

(1.) *The Era of Dutch Commerce.* (2.) *Internal Trade.*

From the foregoing narrative it must be evident that the commercial and social isolation of Japan from the rest of the world was never in the mind of Iyeyasu, but that, on the contrary, he used every opportunity for opening up intercourse with foreign countries. On one occasion, replying to the demand of the Spanish representative from the Philippines that the Spaniards and Portuguese in Japan should be delivered up to be taken to the Philippines, Iyeyasu is said to have answered that his country was a free country and that nobody should be forced to leave it, but that if the representative could persuade any of his countrymen to go, they should not be prevented.¹

¹ Hildbreth, *Japan and the Japanese*, p. 171 et seq.

The subsequent change in his policy was due to his fear of the result of the constant bickering and interference of the Jesuit and monastic missionaries, whose meddlesome quarrels were a menace to the national existence. In this respect his policy differed in no way from that of Hideyoshi, who would not tolerate the confusion of religion and commerce. The most striking feature of Iyeyasu's policy was the aim of *mutual advantage* as distinguished from the hostile and mutually destructive policies of the European nations of that time. It was in fact the exact opposite of the western idea of mercantilism. The chief cause of the reaction and the appearance of the exclusive policy was his antagonism to the political activities of Roman Catholicism. The Dutch traders told Iyeyasu that the Reformation movement in Europe had brought about the exclusion of the Catholics from Germany, Holland, and other nations, on the ground that they were a menace to the safety of the state. William Adams verified these statements. Thus Iyeyasu was led to the conviction that the Portuguese and Spaniards, together with their missionaries, were conspiring against Japan. In 1613 Iyeyasu obtained, through the Dutch, documentary evidence that such a conspiracy existed among the Christian converts. The document was captured on board a Portuguese vessel. Although religious persecution had begun in the time of Hideyoshi, the policy which Iyeyasu pursued as regards both foreign commerce and internal administration prevented it from becoming general. But his grandson, Iyemitsu, succeeded to the Shogunate in 1623, and the persecution burst forth with renewed vigor. The wholesale slaughter rivals in horror "the fires of Smithfield or the rack of the Inquisition." It comes to an end with the revolt of Shimabara in 1637. Christianity was rooted out, and the Shogunate not only perfected the mildly exclusive policy of Iyeyasu's later days, but broadened it so

as to make it inclusive also. Stringent orders were promulgated in the years 1634 to 1639. All ports except Nagasaki were closed to foreign commerce; all licenses which had been granted to numerous vessels were cancelled and withdrawn. By the famous edict of 1638, not only were foreigners forbidden to come to Japan, but the native Japanese were forbidden on pain of death to leave the country. The edict runs as follows:¹

"No Japanese ship or boat whatever, nor any native of Japan, shall presume to go out of the country; whoso acts contrary to this shall die, and the ship with the crew and the goods shall be sequestered till further order. All Japanese who return from abroad shall be put to death. Whoever discovers a priest shall have a reward of from 400 to 500 sheets of silver,² and for every Christian in proportion. All persons who propagate the doctrines of the Catholics, or bear this scandalous name, shall be imprisoned in the Omura or common jail of the town.

"The whole race of the Portuguese, with their mothers, nurses, and whatever belongs to them, shall be banished to Macao.

"Whoever presumes to bring a letter from abroad or to return after he has been banished, shall die with all his family; also whoever presumes to intercede for him shall be put to death. No nobleman nor any soldier shall be suffered to purchase anything from a foreigner."

The extremest possible measures were resorted to, and orders were issued forbidding the construction of vessels above a certain tonnage—500 koku, or 2500 bushels, 74.4 tons—and with more than one mast. This legislation aimed to make long voyages impossible and to prevent the people

¹ Suganuma, *The Commercial History of Japan*, p. 568. See Kämpfer, *The History of Japan*, book iv, p. 319.

² A sheet of silver weighs about five ounces.

from going out of the country.¹ The only exception was in favor of the Chinese and the Dutch, who were permitted to trade at Nagasaki. Through these alone was news of the outside world brought to Japan. At this point begins a new period of the Japanese foreign commerce, namely, the period of Dutch and Chinese commerce, from 1641 to 1854.

(1) *The Era of Dutch Commerce.*

The expulsion of the Portuguese was followed three years later by an edict which confined the Dutch and Chinese residents to a small island in the bay of Nagasaki. They were not permitted to leave the island even for purposes of trade. Despite these restrictions the Chinese trade of that time was prosperous, for the Manchu dynasty, which came into power in 1644, was favorable to foreign commerce. At one time, it is said, two hundred Chinese junks, each with fifty Chinese on board, arrived at Nagasaki in one year. However, the restrictions bore too heavily, and while Japan's foreign commerce experienced many fluctuations, it regularly dwindled until it came to be almost nothing. A study of the articles of commerce of the period reveals the fact that raw silk was the chief item of imports. Japan had not been without silk since the first silk-worms and mulberry trees were brought in from China in the sixth century. During the Middle Ages the silk industry was encouraged and made to flourish, but it had been greatly neglected during the war period. Among other imports, all kinds of raw material were included. Among the exports, gold, silver and copper were by far the most important. Many products of the dextrous arts were also exported. For a high development of the arts and letters was attained during the Ashikaga period, and although there was a marked decline during the war period, there was great progress again with the rise and growth of cities under

¹ Nitobe, *Intercourse between the U. S. and Japan*, p. 14.

the Tokugawa regime. Kämpfer gives the following list of imports and exports as handled by the Dutch commerce. The Chinese trade was much the same throughout. Imports to Japan :¹

“Raw silk from China, Tonquin, Bengal and Persia, all sorts of silks, woolen and other stuffs (provided they be not wrought with gold and silver), Brazil wood, buffalo and other hides from Persia, Bengal and other places, but none from Spain and Manila, under pain of incurring the utmost displeasure, paper, sugar in powder and candied, cloves, nutmegs, camphor from Borneo and Sumatra, quicksilver, cinna-bar, saffron, lead, saltpetre, borax, alum, musk, gum benzoin, gum lac, rosmal or storax liquida, catechu, commonly called Terra Japonica, fustic, corals, amber, right antimony (which they use to color their chinaware), and looking-glasses (which they cut up to make spy-glasses, magnifying glasses and spectacles).

“Other things of less note are snake-wood, mangoes, and other unripe East India fruits, pickled with Turkish pepper, garlic and vinegar, black lead and red pencils, sublimate of mercury (but no calomel), fine files, needles, spectacles, large drinking glasses of the finest sort, counterfeit corals, strange birds, and other foreign curiosities, both natural and artificial.”

Exports from Japan :

“Refined copper, coarse copper, Japanese camphor, all sorts of Japanese cabinet-boxes, chests of drawers, umbrellas, screens, and several other manufactures made of cane, wood, buffalo and other horns, hard skins of fishes, stones, copper, gold. Paper made transparent with oil and varnish, paper printed and colored with false gold and silver for hanging of rooms, rice, soy, indented tobacco, tea and marmalades, gold in specie.”

¹ Kämpfer, *The History of Japan*, book iv, p. 353 *et seq.*

At this time customs duties were introduced into Nagasaki for the first time in the history of Japanese commerce. The tariff was peculiar in that it was for purposes neither of revenue nor of protection. It was more in the nature of a reprisal, and was levied for the sole purpose of cutting off part of the profits which the Dutch and Chinese traders were making in the traffic. The duties laid on the Dutch commodities were ad valorem and specific. There was an ad valorem duty of 15 per cent. on all the goods belonging to the Company, and all goods belonging to private persons were assessed at 65 per cent. when sold by the piece and 70 per cent. specific duty when sold by weight. The difference between the duty on Company goods and those of private persons was made on the grounds that private goods were brought over in Company ships and at the expense of the Company, and were, therefore, deserving of less profit. A discrimination was also made against the Chinese, their goods being charged with much heavier duties, *i. e.*, 60 per cent. ad valorem. This was based on the ground that the Chinese were much nearer to Japan and not subjected to such long and hazardous voyages as the Dutch, and that their expenses were correspondingly less. The customs duties which were thus secured to the nation were distributed in sums of from three to fifteen taels to the poor of Nagasaki.

Kämpfer estimates the profits of the Dutch traders¹ as about 40 to 45 per cent. net on imports to Japan and 50 per cent. on the exports, or from 80 to 95 per cent. clear profit on an entire voyage. This profit seems incredible and disproportionate to modern profits, but it must be remembered that there were not only unusual risks connected with the commerce of this period, but that there were heavy incidental expenses connected with the maintenance

¹ Kämpfer, *The History of Japan*, book iv, p. 366.

of trade and trade stations. M. Fraissinet gives the following tabulation of these expenses: ¹

Présents à la cour.....	6,000 taels.
Moyenne de chaque année, Frais de voyage à la cour.	5,060 taels.
Redevance annuelle et faux frais.....	5,300 taels.
Loyer de Desima, du cimetière; salaires des gardes..	7,908 taels.

	24,268 taels.
à déduire, pour les autres années, les salaires des gardes.	2,391 taels.

Total	21,877 taels.
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“L’ancienne compagnie des Indes ne donnait à ces employés qu’un modique salaire mensuel; mais elle abandonnait au Directeur, au Maître de magasins, au Scribe et aux commis, cinq pour cent sur l’achat et la vente.”

The gold Koban was the standard money of the country, and silver passed mostly by weight. The gold Koban weighed 47 kondering, or 274 grains Troy, and contained 232 grains of pure gold. The Koban was exchanged at the rate of four “ichibu” which was a token money. Owing to the comparative abundance of gold in the country, the ratio between gold and silver at this period was six to one, while in Europe it was nearly twelve to one. Hence the exportation of gold was one of the most profitable parts of the trade. In 1644 the export of copper began and gradually increased. According to the calculations compiled by J. J. Rein, the Dutch exported 206,253 tons of copper from 1609 to 1858.² The total amount of metal exported by the Dutch during these 249 years is calculated at 4,209,500 piculs.³ During the thirty years of greatest profit, 1611 to 1641, the average annual sale by the Dutch was about 60 tons of gold,

¹ Fraissinet, *Le Japon*, tome 2, p. 253.

² Rein, *Industries of Japan*, p. 335

³ Nitobe, *Intercourse between the U. S. and Japan*, p. 21.

or \$2,400,000.¹ According to this calculation the precious metals exported during those thirty years reached the sum of seventy-five million dollars.

It could only be expected that the balance of trade would be heavily against Japan, and that there should be this great drain on her natural store of mineral deposits. The people were now accustomed to long peace, they were enervated by luxury, their wants multiplied, and at the same time the productive forces of the country were comparatively undeveloped. The increasing demand for foreign articles could be supplied only by the export of the precious metals, and the balance against Japan was accordingly paid in gold specie. Formerly the sole cause of opposition to the Europeans was Roman Catholicism, but now, for the first time in Japan, economic reasons began to be urged against foreign trade. In 1671, the export of silver was forbidden. This restriction was aimed at the Chinese trade, which had relatively increased since 1641. In 1684, restrictions were placed on both Dutch and Chinese trade. The importations of the Dutch were limited in amount to ten and a half tons of gold, or \$420,000, and their exports of copper were limited to 25,000 piculs. The Chinese were limited to imports amounting to 600,000 taels, the equivalent of \$840,000.

These restrictions, even though violation was subject to the penalty of death, resulted only in turning the channels of trade into the hidden routes of smuggling, and the efflux of precious metals continued. The mines of Japan were incapable of producing sufficient quantities of the metals to meet this constant demand. According to Mr. Takekoshi's computation,² the coins issued between the years Keichō and Hōei (1603-1708 A. D.), amounted to 14,727,055 gold

¹ The Japanese picul equals 130 pounds. A Dutch ton of gold equals 100,000 florins, or \$40,000.

² Takekoshi, *The History of 2500 Years*, p. 642.

Kobans (Rio) and 1,220,000 Kwammé of silver. Of these, 6,192,800 Kobans (gold) and 1, 122,687 Kwammé (silver) were exported, and the amounts smuggled cannot, of course, be estimated. There remained for currency not more than 8,634,252 Kobans of gold and 77,313 Kwammé of silver for a population of 25,862,210 persons. This deficiency of currency, and the extravagance of the Shoguns, which precipitated financial difficulty, led to the appearance of debased coins from time to time. In 1696, a new kind of Koban was issued which contained only about two-thirds as much gold as the old one, and it was required that it be passed on the same terms as the old one. In 1710, another debasement of the coinage occurred, when the Koban was reduced in weight nearly one-half. This debasement not only greatly disturbed the economic development of the country, but it struck a fatal blow at the Dutch trade, since these debased coins were forced on them at the same rate as the old ones. In 1708, Kummi Arai discussed in a tract, the Origin of Wealth in Japan, the necessity of financial reform and the necessity of checking the exportation of the precious metals. The following passage from the tract shows that the author was a "mercantilist" of the most pronounced type:¹

"There goes out of the Empire annually about one hundred and fifty thousand Kobans, or a million and a half in ten years. It is, therefore, of the highest importance to the public prosperity to put a stop to this exportation, which will end in draining us entirely. Nothing is thought of but the procuring of foreign productions, expensive stuffs, elegant utensils, and other things not known in the good old times. Since Iyeyasu, gold, silver and copper have been abundantly produced; unfortunately the greater part of this wealth has gone for things we could have done quite as well without. The successors of Iyeyasu ought to reflect on this, in order

¹ Hildbreth, *Japan and the Japanese*, p. 386.

that the wealth of the Empire may be as lasting as the heavens and the earth."

The debasement of the coinage made the export of copper alone profitable to the Dutch traders, but in 1714 the export of this commodity was further limited to 15,000 piculs, and in 1721 it was reduced to 10,000 piculs. This so decreased the Dutch commerce that two ships annually sufficed for all its needs, and the Chinese trade was restricted to ten junks annually.

(2) *Internal Trade.*

The exclusive and inclusive policy which had been entered on by the Tokugawa administration had the same effect on the country as an effectual blockade in time of war. The growth of population diversified the wants of the people, and these had to be supplied by home productions. Consequently, under the long peace of the Tokugawas, all kinds of industry were developed under the direction of feudal chiefs. The country was divided into two hundred and sixty-eight provinces, and in matters of internal administration each province was left entirely independent. Each had its own military system and its departments of justice, treasury and public works. Japan consisted then of numerous semi-independent petty princedoms, each with the economic policy of self-sufficiency. Industry was localized and provincial, and the special product of each province, according to its peculiar economic conditions, was highly developed. The porcelain industry was developed in the province of Owari; fabrics of "crepsede" in Nakahama; paper in Tosa; lacquer-ware and delft-ware in Kaga; the silk industry in Kōzuke and Shimotsuké, and others under the protection and patronage of feudal lords.¹ Even to-day these provinces

¹ Fukuda, *Die Gesellschaftliche und Wirtschaftliche Entwicklung in Japan*, p. 155.

are renowned in Japan for their special products. Horse breeding was much encouraged by the chief of Sendai, and the Sendai horse is the standard of excellence in Japan as the Kentucky horse is in the United States.

The economic condition of the country was in many ways similar to that of France before Colbert's administration and to that of the United States in the years immediately following the War of Independence. The mutual jealousies of the feudal chiefs made inter-provincial trade more like foreign than domestic trade, and comparatively little was carried on. The migration of capital and labor was a thing almost impossible.

During the rule of Iyemitsu, the grandson and successor of Iyeyasu, the feudal chiefs were compelled to reside in Yedo for six months of each year and to leave their families there as hostages for the remainder of the time. Although the economic effects of this policy were many and far-reaching, they have been almost wholly overlooked. The population of Yedo increased rapidly, and it soon became the largest city in the country. In 1721, its population was placed at 501,394.¹ The feudal chiefs, required to pay their homage annually to the Shogun at Yedo, came with their trains and retinues in pomp and splendor. This caused many prosperous towns to spring up along the routes. It became necessary to perfect the highways for the passage of these companies, and the Tōkaidō, Nakasendō and other roads became the "Roman" highways of Japan. Transportation and communication were greatly improved over former conditions.² Communication between Yedo and

¹ Yokoi, *The History of Japanese Commerce*, p. 153. These figures do not include the retainers of the resident feudal chiefs.

² The carrier system existed between Osaka and Yedo; thrice a month each way despatches were sent, and the distance of 300 miles was made in six days. The charges were two mommé of silver for a letter, and fifty mommé of silver for each kwammé of goods.

Osaka, which was the center of the distribution of the provincial products, was facilitated by the correspondence and interchange of the merchant gilds of both places.

The "za" system, which originated in the Hōjō period, had well nigh lost its economic importance by the time of the Tokugawa regime. At this time the municipal system, or "Goningumi" plan, came into being. A new merchant gild, the Kumiai, was a mixed product of the older "za" and the "Goningumi" systems; from the former it took its technical and economic character, and from the latter, its social functions.¹

One feature of the Kumiai was that it was not so exclusive as the "za." Any kind of business or occupation might create its own Kumiai and any person could become a member who was willing to share equally the expenses of the gild. Monopolistic privileges were granted to the gilds on payment of certain sums of money to the Shogunate government and no taxes were levied on the gild, except occasional extortion, which was known, rather grimly, as "Goyō-Kin," or "Thanks money."

In 1694 there were but ten Kumiai in Yedo and the same number in Osaka, but, owing to the commercial and industrial growth of the country, at the end of twenty-six years there were twenty-two in Yedo and twenty-four in Osaka.²

The relations between the gilds in Yedo and Osaka were very intimate, and were made more so by the establishment of a shipping combination known as the "Higaki-Kwaisen." So profitable and prosperous were the routes of the Higaki-

¹ The family, not the individual, was the social unit. Every five families were united in a company, and one of the number was elected by themselves as "head-man." The company as a body was responsible for the conduct of its members. The system was an administrative device to secure order and the good conduct of the community.

² Fukuda, *Die Gesellschaftliche und Wirtschaftliche Entwicklung in Japan*, p. 158.

Kwaisen that at one time the number of vessels entering the port of Yedo in one year amounted to 1570.¹

Meanwhile the number of the Kumiai had so increased that their monopolistic character became less significant and important. In 1813 the Yedo gilds petitioned the Shogunate to limit the number to 68 with a membership of 1995.² The Shogunate, being in financial straits, was willing to grant them more privileges and monopolies only on the payment of more money. Certificates of membership were given to each member of the Kumiai, and these were transferable only among the members of a family, and those who had no certificates were excluded from the gild. Becoming more monopolistic and exclusive, they began to charge exorbitant monopolistic prices for the commodities in which they dealt. This, added to the debasement of the coinage year after year, caused a general rise of prices. Mr. Midzuno, the Councillor of the Shogunate government, thought that the normal price of commodities could be established only by freedom of trade and the working of the natural law of supply and demand. He, therefore, abolished the Kumiai in 1841, greatly to the benefit of society. But the extinction of the Kumiai did not accomplish all that had been hoped in the way of declining prices, because of the debasement of the currency and the inflation of the provincial paper currency. An attempt was made in 1851 to reorganize the Kumiai system, but the effort was buried in the political disturbances of the time, and finally the Restoration of 1868 brought about the most sweeping changes in the social and economic organization of the country.

¹ Yokoi, *The History of Japanese Commerce*, p. 199.

² *Ibid.*, p. 158.

CHAPTER IV

THE RESTORATION OF 1868.

OPENING OF THE COUNTRY TO THE WORLD

I. *The Causes.*

THE dual system of government was a creation of the Kamakura Shogunate by Yoritomo in 1184. The system was perfected by Iyeyasu and his successors for two hundred and eighty years. It is strange indeed that the Japanese people gave no critical attention to the repository of sovereignty during this long period. Although the Mikado was the recognized head of the nation, he was a political figure-head, all the functions of government and administration being usurped by the Shoguns. Diplomatic intercourse hardly existed, for the relations with the Dutch and Chinese were almost wholly commercial. The policy of the Tokugawa Shogunate involved, on the one hand, an exaggeration of the sacredness of the Mikado, and on the other, a stultification of the intellectual life of the common people. Thus, for centuries, down to the close of the Tokugawa rule, the dualism existed as a historic fact, a political puzzle for the philosophers of the world, without criticism or comment in Japan. The people were taught simply to believe in the Mikado as a divine personage. As soon as Japan entered into political relations with other nations the dual system was doomed, because the foreign powers would naturally seek out the sovereignty of the country. This fact has led the historians of Europe and America to attribute the downfall of the dual system and feudalism immediately to the ad-

vent of foreigners in Japan, and the opening of commercial and political relations with foreign powers. Griffis says, however, that "the foreigners and their ideas were the occasion, not the cause; the causes were mainly from within, not from without; from impulse, not from impact, and they were largely intellectual."¹

During the peaceful seclusion of the Tokugawa regime, Japan appeared to be fast asleep, so far as the outer world was concerned, but she was not wholly isolated from the rudiments of western civilization. Yoshimuné (1717-1744) repealed the law which forbade the importation of books, in order to shut out Christianity more effectually, and Dutch and Chinese books were permitted to be brought in. And, besides this, the Dutch language was eagerly studied by some of the liberal and progressive minds, and there came about also a revival of Chinese learning, especially in the Confucian and Mencian politico-ethics.

The fall of the Ming dynasty and the accession of the present Manchu dynasty to the Chinese throne, had a similar effect in the Far East to that which the fall of Constantinople in the thirteenth century² and the dispersion of the Greek scholars had in Europe. Many Chinese refugee scholars came to Japan and added stimulus to the study of the Confucian "Five Relations."³ While the Chinese learning was giving an impetus to the better definition and understanding of the true relation between sovereign and subjects, the renaissance of the old Japanese literature was taking place. At the head of this movement was the famous scholar Nobunaga Motoori (1730-1801). His followers, Hirata and others, began criticizing, in most uncompromising fashion,

¹ Griffis, *The Mikado's Empire*, p. 291.

² *Ibid.*, p. 297.

³ *Ibid.*, p. 298. The five relations were those of sovereign and minister, parent and child, husband and wife, elder and younger brother, and friend and friend.

the inutility of studying foreign literature and history without first knowing that of their own country. It so happened that the spirit of the old Japanese literature was an exaltation and high appreciation of the beauty and symmetry of the centralized monarchy which preceded the Shogunate usurpation. The historians had been glorifying the dual system as best for the Japanese people. They now became intellectually enlightened and more courageous, and began to direct the minds of the people to the Emperor as the real source of power and honor. In 1715, Prince Mito Kōmōn completed his great work *The History of Great Japan*, and it quickly became a literary and historical classic. So great was the influence of this history on Japanese minds that Mr. Earnest Satow rightly calls its author "the real author of the movement which culminated in the revolution of 1868."¹

In 1727, Rai Sanyō's great work, the result of twenty years of continued labor and research, was published. This was the *Nihon Gwaishi*. The secular intellectual activity of Japan had been quietly fostered during the secluded peace of more than two hundred and fifty years, and attained its meridian only at the close of the Tokugawa period.

The revival of learning is sure to be accompanied or followed by a revival of religion.² It was no mere accident or coincidence that the Renaissance was followed by the Reformation. In Japan, the revival of learning was followed by the revival of Shintoism. According to the Shintoist, Japan is the land of the Gods and the Emperor is a direct descendant of heaven. To the Emperor, says the Shintoist, are due powers and honors, and the allegiance of all Japanese people. The direct result of the renewed vigor of this teaching was an increase of reverence for the Emperor and the recognition of his sovereign power. Griffis does not put the case too

¹ Iyenaga, *The Constitutional Development of Japan*, p. 22.

² *Ibid.*, p. 24.

strongly in saying that long before the advent of Commodore Perry and the opening of Japan to the world "the seeds of revolution were above the soil and would alone have brought about that fruit in due season."¹

A new epoch, political and economic, in the history of Japan began with the coming of Commodore Perry, on July 14, 1853, and the conclusion of a treaty of peace and amity between the United States and Japan on March 31, 1854. A synopsis of this important treaty is as follows:²

- I. Peace and Friendship.
- II. The ports of Shimoda and Hokodaté open to American ships, and necessary provisions to be supplied them.
- III. Relief of shipwrecked people; expenses thereof not to be refunded.
- IV. Americans to be free as in other countries, but amenable to just laws.
- V. Americans at Shimoda and Hokodaté not to be subject to restrictions; free to go about within defined limits.
- VI. Careful deliberation in transacting business which affects the welfare of either party.
- VII. Trade in open ports subject to regulation.
- VIII. Wood, water, provisions, coal, etc., to be procured through Japanese officers only.
- IX. Most favored nation clause.
- X. U. S. ships restricted to ports of Shimoda and Hokodate, except when forced by stress of weather.
- XI. U. S. consuls or agents to reside at Shimoda.
- XII. Ratifications to be exchanged within eighteen months.

¹ Griffis, *The Mikado's Empire*, p. 301.

² Nitobe, *Intercourse between the U. S. and Japan*, p. 53; for full text of treaty see *Treaties and Conventions between U. S. and other Powers*, pp. 512 *et seq.*

On the return of Commodore Perry to the United States, Townsend Harris was sent in August, 1856, by the United States government as Consul-General to Japan. July 29, 1858, he negotiated and signed at Yedo the commercial treaty between the United States and Japan. The main features of this treaty are as follows:¹

- I. Peace and friendship. Diplomatic agent and Consul-General. Privileges of residence in Japan; travel beyond treaty limits. Consuls to reside at open ports. Reciprocal privileges to like officials of Japan.
- II. Mediation of the U. S. in differences between Japan and European powers. Assistance by U. S. ships of war to Japanese vessels of the high seas, and by U. S. Consuls in foreign ports.
- III. Additional ports to be opened: Kanagawa and Nagasaki on the 4th of July, 1859; Neegata, January 1, 1860; Hyogo, January 1, 1863. American citizens may reside in them. Rules and regulations as to their residence. Provision as to residence of Americans in Yedo and Osaka. Regulations of trade. These provisions to be made public by Japanese government. Munitions of war; to whom only to be sold; rice and wheat not to be exported from Japan; surplus thereof to be sold to residents, and for ships' crews, etc. Copper surplus to be sold at auction. Americans may employ Japanese.
- IV. Duties to be paid according to tariff. Proceedings where there is a difference as to value of duties. Supplies for U. S. navy. Opium prohibited; penalty for smuggling. Imports on which duties are

¹ Nitobe, *Intercourse between the U. S. and Japan*, pp. 66 *et seq.* For full text of treaty see "*Treaties and Conventions between the U. S. and other Powers*," pp. 526 *et seq.* (The U. S. Govt. Publication.)

paid may be transported without further tax. No higher duties than are fixed by this treaty.

- V. Foreign coins to be current in Japan; may be used in payments; to be exchanged for Japanese coins, etc. Coins, except copper, may be exported; uncoined foreign gold and silver may be exported.
- VI. Jurisdiction over offences. Americans against Japanese in Consular courts; Japanese against Americans by local authorities. Consular courts open to Japanese creditors. Forfeitures and penalties for violation of treaty. Neither government to be responsible for debts of its subjects or citizens.
- VII. Limits of right of travel (ten "ri" in any direction) from open ports. American criminals (*e. g.*, convicted of felony) shall lose right of permanent residence in Japan. Such persons to have reasonable time to settle their affairs, to be determined by American Consul.
- VIII. Religious freedom. Religious animosity not to be excited.
- IX. Japanese authorities, on request of Consul, will arrest deserters and fugitives from justice. Will receive prisoner in jail. Consul to pay just compensation.
- X. Japanese government may purchase or construct vessels of war, etc., in U. S. May engage from the U. S. the services of scientific men and advisers.
- XI. Regulations appended (pertaining to trade) made part of treaty.
- XII. Conflicting provisions of treaty of March 31, 1854, and the convention of June 17, 1857, repealed. Regulations made to carry this treaty into effect.
- XIII. Revision of treaty and trade regulations may be made upon one year's notice, at any time after July 1, 1872, if desired by either party.

XIV. Treaty to take effect July 4, 1859. Ratifications to be exchanged at Washington, D. C. Signed in English, Dutch and Japanese languages; in case of disputes, Dutch version to be considered the original.

The tariff schedule and regulations of this treaty are the following:¹

Duties shall be paid to the Japanese government on all goods landed in the country, according to the following tariff:

Class I. All articles in this class shall be free of duty. Gold and silver, coined or uncoined; wearing apparel in actual use. Household furnitures and printed books not intended for sale, but the property of persons who come to Japan to reside.

Class II. A duty of five per cent. shall be paid on the following articles: all articles used for the purpose of building, rigging, repainting or fitting out of ships. Whaling gear of all kinds. Salted provisions of all kinds. Bread and bread stuffs. Living animals of all kinds. Coals, timbers for building houses, rice, paddy, steam machinery, zinc, lead, tin, raw silk.

Class III. A duty of thirty-five per cent. shall be paid on all intoxicating liquors, whether prepared by distillation, fermentation, or in any other manner.

Class IV. All goods not included in any of the foregoing classes shall pay a duty of twenty per cent.

By the convention of 1864 the duties were reduced by this provision.

"The following articles shall be admitted at the reduced

¹ *Treaties and Conventions between the U. S. and other Powers*, pp. 516 et seq.

duty of five per cent.: machines and machinery, drugs and medicines, iron in pigs or bars, sheet iron and iron wire, tin plate, white sugar in loaves or crushed, glass and glass ware, clocks, watches, and watch chains, wines, malted and spirituous liquors."

A five per cent. export duty was laid on Japanese productions, except gold and silver coins and copper in bars.

Similar treaties were concluded with Great Britain, October 4, 1854; with Russia, January 26, 1855; with Netherlands, November 9, 1855; with France, October 9, 1858; with Portugal, August 3, 1860; with the German Custom Union, January 25, 1861; and with other countries,—Italy, Spain, Denmark, Belgium, Switzerland, Austria-Hungary, Sweden-Norway, Peru, Hawaii, China, Korea, Siam, and lastly with Mexico in 1888.

We have already noted how the abnormal ratio between gold and silver had caused a pronounced efflux of gold from the country. At this time the value of the silver coin "ichibu," which was a token money, was about 33 cents in United States gold, that is, one Mexican dollar was exchangeable for three "ichibu," while a gold Koban, which was worth \$3.75 of United States gold, exchanged for four "ichibu." Hence about the most profitable part of trade for the foreigners was to bring Mexican dollars to Japan, exchange them for the token money "ichibu," and exchange these in turn for gold Kobans. Some time later these gold Kobans were purchased at the rate of \$2.50 and taken to China and sold for \$3.75. The profit accruing from this double exchange was about 70 per cent.² While this disastrous drain of gold was going on, the successive debasements of the coinage and the inflation of the provincial paper currency brought about a complete disarrangement of

¹ *Treaties and Conventions between the U. S. and other Powers*, pp. 516 *et seq.*

² Nitobe, *Intercourse between the U. S. and Japan*, p. 72.

market conditions, and especially in the prices of the necessities of life. To these distresses were added, most unfortunately, destructive earthquakes, typhoons and floods. This accumulation of calamities and disasters was ascribed by the mass of the people to the opening of the country to foreign commerce. As this feeling took shape and gathered force, the anti-foreign prejudices of the populace were kindled and inflamed. The history of Japan from 1853 to 1868 is largely the history of the struggle between the two parties known respectively as the "Jōyi-tō" and the "Kai-Koku-Tō," or the anti-foreign party and the "opening-up-of-the-country" party. The former consisted of the southern feudal chiefs backed by the Imperial Court of Kioto, while the latter was the Shogunate government supported by the northern feudal chiefs. It was a collision between the dominant forces of the north and the south. The bombardment of Kagoshima on August 11, 1863, by the British fleet, and of Shimonoseki¹ on September 5, 1864, by the allied fleets of the four powers, Great Britain, France, Holland, and the United States, taught a most important lesson to the two powerful southern chiefs, Satsuma and Chōshiu. They learned their own utter weakness and the superiority of western civilization.

Subsequently the anti-foreign party saw the necessity of national unity regardless of the question of the opening of the country. Consequently they changed their plea to that of national unity and the restoration of sovereign power to the Emperor, the recrudescence of the centralized monarchical government. Thus the once anti-foreign party was transformed into the Restoration party and the character of the struggle was wholly altered. Henceforth the strife was

¹ The Shimonoseki Indemnity paid by Japan amounted to \$3,000,000. By Act of Congress, Feb. 22, 1883, the United States refunded its share, \$785,000, to Japan.

political in nature rather than commercial or economic, and it centered about the seats of rule of the Yedo and Kioto governments. In this way the Tokugawa Shogunate and the northern feudal chiefs made themselves "Chōteki" or "enemies of the Mikado."¹

It may be merely a coincidence and wholly without significance, but it is a striking fact that no "Chōteki" has ever succeeded in the history of Japan, whatever has been the cause for which it stood. The struggle was soon ended in the triumph of the Restoration party in 1867.

What caused this Restoration party to become the advocate of western civilization and the creator of New Japan? This question is often asked and answered in many different ways. "It was the lesson taught at Kagoshima and Shimonoseki," say some. "It was the benefit they saw would arise from commerce," say others. "The child of the revolution was changed by its nurse, and the government now in power was put into its cradle by mistake or design," say still others.

At best, the causal influences were numerous, complex, and difficult to trace. Impulses originating wholly within Japan made her at least a ripened soil for forces entering from without. The isolation of centuries, broken only by the slender thread of communication which the Dutch maintained, had borne its fruit in an irrepressible desire to know and to share in the things which were of the outer world. The eager national spirit which had slumbered for so long was now awakened and would not brook restraint. A latent life of marvelous adaptability coursed in the veins of this child among the nations. Old ideas and old faiths, old forms and customs, old incentives and old aspirations, everything which was old was now to be held in abeyance or

¹ Griffis, *The Mikado's Empire*, p. 316.

folded away forever, while the New Japan would try the new things of earth, and trying, test herself and them.

II. *Economic Effects.*

(a) *Development of Communication and Transportation.*

With the restoration¹ of political power to the Emperor by Shogun Hisayoshi on November 19, 1867, the dual system of government which had existed in Japan for seven centuries came to an end. The centralized monarchy was established on the basis of pure absolutism. The Emperor became the sole legislative and executive authority. In 1871 the southern feudal chiefs, Satsuma and Chōshiu, declared their purpose to surrender voluntarily their principalities to the Emperor, and accordingly, they sent out a general memorial to that effect.² Their example was followed by all the other chiefs of the country. The following brief Imperial edict, issued in August, 1871, abolished once for all the feudalism which had been the life of Japan for eight centuries. The terse sentence is historic.

"The clans are abolished and prefectures are established in their places."

It is unprecedented in human history that the overthrow of an established social and political order required no church, no ambitious kings, no free cities, no industrialism, none of those influences which wrought so powerfully in undermining the feudalism of Europe, but that it was simply the voluntary giving up by the feudal lords of their privileges and prerogatives. The most immediate and conspicuous effects of this over-turn were national unity and the unification of customs, habits and thoughts. In this instance is an

¹ *American Executive Documents, Diplomatic Correspondence, 1867, Part ii*, p. 78 (2d sess. 40th Cong.).

² Iyenaga, *The Constitutional Development of Japan*, pp. 38-39.

apt illustration of the generalization that "like-mindedness and consciousness of common interest, namely homogeneity, is a step toward the progress of equality and liberty."¹

The new government was an embodiment of the two principles drawn from widely separate sources, the liberalism of western civilization and the comparatively democratic doctrine of the Chinese sages, "the people are the most important element in a nation, and the sovereign is the lightest." Naturally, the government began at once to inaugurate radical changes. Among the most important of these was the rapid development of the means of transportation and communication, which in themselves exercise so great an influence on the productive phases of the organization of society. As affecting Japan, the effect of this influence has been exceedingly great on commerce and industry. During the feudal regime the size of towns and cities was limited by the available supply of food, and small communities were, therefore, the rule.

The government removed all legal and political obstacles to the freedom of intercourse and communication. With the development of the facilities of transportation, a new form of production, that is, place utility, came to be an important item. If the history of civilization may be regarded in part as the history of the development of methods and means of transportation and communication, the details of this phase of Japan's growth will be something more than interesting, as indicating the economic significance of increased place utilities, and the social importance of this important indication of progress in civilization. The historical and statistical account of the postal and telegraph systems, railroads, and merchant marine, and their remarkable growth since the present Meiji administration began, in 1868, is here given:

¹ Giddings, *Democracy and Empire*, p. 62.

Postal and Telegraph Systems.

"Louis XI. of France, in his efforts to create a national power," says President Hadley, "was compelled to take the postal service out of the hands of the cities and other feudal authorities and make it a matter of national administration."¹

The first progressive undertaking of the new government toward a national economic life was the introduction, in 1871, of the modern postal system, modeled after that of the United States. The following year the system was extended to all seats of provincial governments, ports, towns and other localities of any business importance, with the exception of certain ports in the Hokkaido and Lew Chew Islands. In 1873, rates based on distance were abolished and the Roland Hill system of uniformity of rates as modified by weight was adopted. The American postal agencies continued at the treaty ports until the end of 1873, and the French and British agencies until April 1, 1879.² In this year Japan entered into the International Postal Union with full right to manage all her postal affairs. In 1886, the postal and telegraph services, which had hitherto existed separately, were united into a single establishment, for the greater convenience of the public. The present Japanese postal system is said to be the most complete organization of the kind in the world, —quickest, safest and with free rural delivery throughout the country. The low labor cost and the rapid development of the means of transportation make this possible. The census figures of 1900 are the most recent we have been able to obtain. They are given herewith: ³

¹ Hadley, *Railroad Transportation*, p. 3.

² Chamberlain, *Things Japanese*, p. 295.

³ Publication of Dept. of Communication of Japanese Government. *A Short Sketch of the Progress of the Postal Service*, Eng. Trans., p. 16.

Year.	Letters.	Postal Cards.	Newspapers.	Total, Books, Including Samples, etc.
1871.....	.....	.....	.....	565,934
1872.....	2,431,280	.....	40,649	2,510,656
1873.....	9,723,895	.....	514,610	10,550,902
1874.....	16,732,030	.....	2,629,648	19,937,643
1875.....	17,054,631	3,693,973	4,152,374	25,998,171
1876.....	21,152,975	5,214,189	4,077,095	32,220,298
1877.....	22,665,699	9,047,886	4,257,461	38,060,267
1878.....	25,430,129	12,300,033	5,216,866	45,504,276
1879.....	29,881,177	15,620,843	7,023,686	56,047,229
1880.....	32,923,277	21,576,436	8,962,393	68,013,225
1881.....	39,193,581	26,834,719	12,537,591	84,177,162
1882.....	44,599,440	32,034,581	15,898,167	99,327,812
1883.....	49,206,979	32,894,283	15,226,397	106,754,496
1884.....	50,329,099	36,662,267	15,087,091	112,862,308
1885.....	48,605,921	40,254,085	15,259,721	115,072,665
1886.....	47,545,874	45,695,759	16,015,085	121,265,456
1887.....	50,955,970	55,627,595	18,248,305	136,655,274
1888.....	55,551,998	68,837,285	21,176,278	158,265,209
1889.....	59,377,250	83,852,814	27,066,852	183,600,105
1890.....	64,268,328	96,469,222	41,255,492	216,644,487
1891.....	66,406,800	106,612,264	49,081,974	238,979,882
1892.....	72,122,000	133,260,000	50,829,000	277,805,000
1893.....	80,604,000	158,146,000	56,968,000	320,895,000
1894.....	94,453,653	190,691,321	80,415,390	392,519,462
1895.....	109,400,947	228,502,113	78,962,299	446,384,710
1896.....	122,351,532	262,861,315	86,801,875	503,359,682
1897.....	145,737,719	289,771,172	88,750,347	557,717,702
1898.....	157,526,607	329,934,746	91,521,339	612,775,413
1899.....	148,530,721	333,988,921	110,068,789	629,893,815
1900.....	180,232,438	399,529,531	135,326,541	751,133,978

In 1874 the postal money order system was introduced. In 1885 the service was opened with several European countries and with the United States. In the same year Japan entered into the Universal Postal Union's arrangement for exchange of postal money orders. The progress of this system has been as follows: ¹

¹ Publication of Dept. of Communication of Japanese Government. *A Short Sketch of the Progress of the Postal System*, Eng. Trans., p. 27.

<i>Year.</i>	<i>Number of Offices and Agencies.</i>	<i>Number of Ordinary Domestic Money Orders Issued.</i>	<i>Amount in Yen of Domestic Money Orders.</i>
1875	222	115,703	2,123,145
1876	309	257,443	5,180,221
1877	309	202,624	2,692,679
1878	370	223,077	3,322,782
1879	458	275,162	4,140,309
1880	619	350,483	5,250,404
1881	678	489,568	7,655,201
1882	813	630,713	9,188,262
1883	884	663,353	7,650,494
1884	886	704,365	6,850,976
1885	886	725,349	6,911,954
1886	945	584,905	7,714,927
1887	946	706,438	9,597,955
1888	1,014	821,991	11,295,680
1889	1,015	889,103	12,313,542
1890	1,599	1,064,911	14,593,083
1891	1,928	1,360,796	17,499,111
1892	2,276	2,944,000	23,872,000
1893	2,488	3,372,000	28,560,000
1894	2,495	4,022,903	34,013,447
1895	2,500	4,486,346	42,410,621
1896	3,124	4,931,694	45,687,907
1897	3,231	5,793,401	54,541,423
1898	3,406	6,338,469	56,201,432
1899	4,539	6,786,583	68,874,271
1900	4,930	7,499,892	80,942,452

In 1875, postal savings banks were introduced and the government sought to encourage in every way the practice of thrift and saving. In recent years the institution has become popular and, although it does not offer so tempting a rate of interest on deposits as do the private banks, the postal savings bank is becoming an important branch of the postal service as the following table shows :¹

¹ One of the inducements of the postal savings banks is that when the amount of the deposits reaches 100 yen for one depositor, the sum will be converted into a government bond which pays better interest.

<i>Year.</i>	<i>Number of Banks and Agencies.</i>	<i>Number of De- positors at the End of Year.</i>	<i>Amount of Deposits in Yen at the Close of Year.</i>
1875	22	1,843	15,224
1876	161	4,442	41,845
1877	175	5,761	100,138
1878	405	14,137	286,290
1879	652	26,473	494,115
1880	810	36,126	662,091
1881	1,016	38,974	821,938
1882	1,339	46,211	1,058,224
1883	1,468	87,014	2,298,502
1884	1,469	141,202	5,260,484
1885	4,338	293,297	9,050,254
1886	3,110	490,337	15,462,053
1887	3,067	568,849	18,218,322
1888	3,071	665,822	19,758,482
1889	3,074	762,869	20,441,354
1890	3,032	797,486	19,514,844
1891	2,864	841,643	20,700,076
1892	2,928	947,934	22,826,060
1893	3,023	1,060,235	26,155,499
1894	3,028	1,108,712	25,901,325
1895	3,030	1,223,085	28,965,427
1896	3,497	1,279,210	28,479,684
1897	3,576	1,254,604	26,157,083
1898	4,334	1,255,577	22,490,918
1899	4,458	1,420,171	24,014,043
1900	4,930	2,011,467	24,733,449

The depositors in the postal savings banks were classified in 1897 according to occupation. This classification on a basis of 100 per cent. is as follows: ¹

Agriculturalists	39
Merchants	16
Miscellaneous	6
Workingmen	5
Officials	5

¹ Austin, *Commercial Japan*, p. 63. (U. S. Treas. Dept. Pub., 1899.) *Monthly Summary of Commerce and Finance*.

Manufacturers	7
Students	6
Fishermen and sailors.....	1
Without occupation	1
Temples, shrines, and other corporate bodies	2
Occupations unknown	12
Total.	100

Although the first telegraph line was constructed in 1857 as an experiment by a feudal chief of Kagoshima,¹ it was not until 1869 that the government constructed the line between Tokio and Yokohama, and opened it to the public. As the historic telegraph line was constructed between Baltimore and Washington in 1844, Japan was but twenty-five years behind the United States with that important channel of communication. But Japan at that time was so little advanced from the conditions of feudalism that the people did not know how to appreciate and utilize the telegraph system. With the advancement of scientific knowledge and of changed economic conditions, the public began to understand the benefits of this modern means of rapid communication. In 1874 the administration of the system was reorganized and legally established. The Civil War of 1877 vindicated this change by showing the government's need of it for its own purposes. Since then telegraphic communication has become a government enterprise and monopoly. In 1879 Japan entered into the International Telegraph Union.² On April 1, 1891, the government bought that part of the cable, the property of the Great Northern Telegraph Company of Denmark,³ which connects Japan and

¹ Yokoi, *The History of Japanese Commerce*, vol. ii, p. 44.

² *Resumé Historique et Statistique de la Télégraphie et de la Téléphone au Japon*, p. 2. (Japanese Govt. Publication.)

³ G. N. T. Co. owns the lines between Nagasaki and Shanghai and Nagasaki and Vladivostock, but the terminals at Nagasaki are operated by the government.

Korea. The following table exhibits the growth of the system in Japan:

<i>Year.</i>	<i>No. of Bureaus.</i>	<i>Length of Lines in Kilometers.</i>	<i>No. of Domestic Telegrams.</i>
1869	2	31	
1870	4	75	
1871	4	75	19,448
1872	18	628	80,639
1873	28	1,390	185,889
1874	34	1,705	351,272
1875	47	2,502	517,891
1876	51	2,639	678,030
1877	68	3,719	852,619
1878	97	5,145	1,028,155
1879	112	5,962	1,646,936
1880	155	6,763	2,027,382
1881	169	7,348	2,571,009
1882	185	7,815	2,963,085
1883	195	8,074	2,662,538
1884	212	8,703	2,699,451
1885	215	8,809	2,641,080
1886	219	8,895	2,508,552
1887	230	9,213	2,607,344
1888-1889	259	9,971	2,844,985
1889-1890	311	10,203	3,579,155
1890-1891	407	11,389	4,210,587
1891-1892	523	12,740	4,623,616
1892-1893	632	13,969	5,360,452
1893-1894	715	15,065	6,444,463
1894-1895	759	15,624	8,120,962
1895-1896	784	15,882	9,097,861
1896-1897	1,122	19,255	10,857,653
1897-1898	1,256	23,061	13,979,872
1898-1899	1,267	23,839	14,867,368

Telephone connection was first tried between Tokio and Yokohama in November, 1877. In 1890 the telephone exchanges were opened in Tokio, and in 1893 in Osaka and Kobe. After some years of operation, the demand for installation of lines became so great that the administration had to obtain from the state an extraordinary fund in order

to be able to meet the public demands. In February, 1899, the first line of long-distance telephone was constructed between Tokio and Osaka.

The statistics of growth are as follows: ¹

<i>Year.</i>	<i>Length in Kilometers.</i>	<i>No. of Sub- scribers.</i>	<i>No. of Con- nections.</i>
1890.....	196	343	264,998
1891.....	361	821	1,654,597
1892....	601	1,504	3,171,940
1893.....	648	2,672	7,702,402
1894.....	691	2,843	13,417,804
1895.....	699	2,858	13,088,830
1896.....	848	3,232	12,238,407
1897.....	1,241	5,326	16,342,468
1898.....	2,513	8,064	27,706,327
1899.....	2,556	11,813	45,136,233
1900.....	3,102	18,668	65,793,500

Railroads.

The first railroad in Japan was built between Tokio and Yokohama, a distance of eighteen miles. The work was begun in 1869, under the superintendence of English engineers, and the line was opened for traffic in the autumn of 1872. Kioto and Kobe, by way of Osaka, were connected in 1877. Since the first railroad construction, the Japanese system has been modeled on that of England. Hence the difference between the Japanese and the United States systems of railways is similar to that which exists between those of the United States and those of Great Britain. The conditions in England and Japan are unlike the conditions in the United States. The latter being a young country, the lines of railroad are frequently constructed with the view of developing new country, and, not unfrequently, for the purpose of laying out beforehand and plotting a new city which is yet to be

¹ *Résumé Historique et Statistique de la Télégraphie et de la Téléphone au Japon*, pp. 17-19. (Japanese Govt. Publication.)

built. On the other hand, railroads in Japan and England have been built to meet existing requirements.¹ Or, expressing the same truth in other terms, England built her railroads to meet present needs, Japan to meet present and future needs, while America built very largely for the future. Imitation of the English plan of construction and the topography of the country have caused the tunnels, bridges and stations along the Japanese roads to be built with a view to stability and substantial permanence. The country is largely mountainous and is crossed by many streams, which the heavy rains turn to raging floods, sweeping away bridges and embankments. The cost of the first road, eighteen miles in length, was 2,855,732 yen.²

The cost of construction is high in Japan when the low labor cost and the low price of all materials other than iron are considered. According to the last report of the Department of Communication, the average cost per mile of railroads in Japan is \$35,000, while in America the per mile cost was about \$60,000, and in England it was more than \$200,000.³ As already said, the roads are narrow gauge, and the coaches and equipment are modeled on the English style.

In extending the system throughout the country, economic considerations have been entirely subordinated by the government to those of military need or strategy. It was this view that led the government to ignore the insuperable engineering difficulties and to attempt the construction of the Nakasendō, or Middle road, connecting Tokio and Kioto, and running along the ridge of mountains which traverses the interior of the country.

¹ Hadley, *Railroad Transportation*, p. 147.

² *The U. S. Consular Reports*, vol. 83.

³ Hadley, *Railroad Transportation*, p. 146.

The railway enterprise was started in Japan by the government, and it was a government monopoly until 1882, and the policy of the government was expected to be that of government ownership. But the Civil War of 1877 increased the public debt considerably, and the fiscal condition of the government after that time did not permit it to incur further debt for the construction of lines of railway. For this reason the government determined to encourage the construction of railroads by private companies, for commercial and industrial ends. Since 1882 a number of such companies have been organized, and relatively rapid progress in construction has been made. This is especially true since the China-Japan war, for a sort of mania for enterprises seemed to prevail, and the extension of railroad lines was accelerated.

There are at present 43 private railroad companies which are now operating 2,961 miles of road. During the past few years the consolidation of small companies has been effected to the benefit of both companies and public. The government operates 1,059 miles, so that the total mileage in operation is 4,021 miles. The total amount of capital invested by the government and by private companies has reached the sum of 321,000,000 yen.

During recent years German influence has dominated in almost all spheres of Japanese public life, and especially in the administration of the government. In consequence, state ownership of railroads has been agitated, chiefly as a political affair. It is not our purpose to enter on a discussion of state ownership or state control of the roads. It is enough to say that the magnitude of the business is steadily increasing in Japan as elsewhere, and that the economic influence of this quasi-monopoly is very great. In the determination of a railroad policy, a nation must consider the topography of the country traversed; the relation

between the roads and other means of transportation and communication; and the relation between the public carrier and the producers and consumers it is to serve. As a part of the program of socialism, government ownership of railroads is impossible for many reasons; as a business proposition the matter is put on an entirely different footing and is both possible and in many cases probable. It is needful for Japan to mature and to announce a definite and fixed railroad policy, either of public or of private ownership, for a medley of practices is productive only of discord.

To favor now a government monopoly, now private monopoly, and now a form of competition between government activities and private enterprise, has been the somewhat devious course followed by Japan in the past. More settled conditions will greatly favor a final decision of some sort.

The experience of Belgium with a mixed system has failed to solve the problems of railroading. The history of Italy shows the disadvantages of an unstable and hesitating policy. A healthy growth of the business is possible only when the government's attitude may be known and enter in as one of the fixed conditions.

The following table¹ shows the development of the R. R. enterprises in Japan:

<i>Year.</i>	<i>Government Owner- ship (Miles).</i>	<i>Private Owner- ship (Miles).</i>	<i>Total.</i>
1872.....	18	....	18
1873.....	18	....	18
1874.....	38	....	38
1875.....	38	....	38
1876.....	65	....	65
1877.....	65	....	65
1878.....	65	....	65
1879.....	73	....	73
1880.....	98	....	98

¹The figures are given in the government's publications; Reports of the Department of Communication, Japanese Government.

1881.....	122	....	122
1882.....	170	....	170
1883.....	181	36	217
1884.....	181	80	261
1885.....	223	134	357
1886.....	264	165	429
1887.....	300	293	593
1888.....	505	406	911
1889.....	550	585	1,135
1890.....	550	848	1,398
1891.....	550	1,165	1,715
1892.....	550	1,220	1,770
1893.....	557	1,381	1,938
1894.....	580	1,537	2,117
1895.....	593	1,697	2,290
1896.....	631	1,875	2,506
1897.....	661	2,287	2,948
1898.....	768	2,652	3,420
1899.....	832	2,806	3,638
1900.....	948	2,905	3,853
1901.....	1,059	2,961	4,020

The greater part of the railway capital of Japan is invested in construction. The total amount of capital invested in railroads at the end of 1900 was estimated to be 320,946,093 yen, and the following table shows how much has been expended for construction:

<i>Year.</i>	<i>Government Road (yen).</i>	<i>Private Road (yen).</i>	<i>Total (yen).</i>
1885.....	14,887,085	3,106,253	17,993,338
1887.....	22,447,622	6,702,924	29,150,546
1892.....	35,418,997	47,508,303	82,927,300
1897.....	61,866,374	122,828,189	184,694,563
1900.....	107,263,300	197,513,530	304,776,830

The roads are equipped with the following rolling stock:

<i>Year.</i>	<i>Government Roads.</i>			<i>Private Roads.</i>		
	<i>Engines.</i>	<i>Coaches.</i>	<i>Freight cars.</i>	<i>Engines.</i>	<i>Coaches.</i>	<i>Freight cars.</i>
1872.....	10	58	75	....	....	....
1887.....	38	160	320	...	....	....
1882.....	47	240	503	....	....	....
1887.....	53	313	887	30	138	364
1892.....	133	630	1,753	185	739	2,819
1897.....	258	871	2,930	636	2,029	8,541
1900.....	387	1,085	4,245	892	3,331	14,046

If these figures are correct, there are for each one hundred miles of railroad in Japan, 33 engines, 115 coaches, and 415 freight cars.

Passengers and Freight.

The following tables indicate the volume of business and its growth:

Number of Passengers.

<i>Year.</i>	<i>Govt. Railroad.</i>	<i>Private Railroad.</i>	<i>Total.</i>
1890	11,265,383	11,575,247	22,840,630
1892	12,873,547	15,290,168	28,463,715
1897	27,927,577	57,175,600	85,098,177
1900	31,944,856	81,766,015	113,710,871

Passenger Mileage.

<i>Year.</i>	<i>Govt. Railroad.</i>	<i>Private Railroad.</i>	<i>Total.</i>
1890	284,831,381	185,469,252	470,300,633
1892	298,958,693	283,962,002	582,920,695
1897	623,335,927	839,118,735	1,462,455,662
1900	715,273,181	1,187,768,933	1,903,042,114

Passenger Fares.

<i>Year.</i>	<i>Govt. Railroad (yen).</i>	<i>Private Railroad (yen).</i>	<i>Total (yen).</i>
1890	3,183,383	1,966,532	5,149,915
1892	3,335,609	3,122,946	6,458,555
1897	7,003,795	9,904,292	16,908,087
1900	10,441,171	16,100,291	26,541,462

Tons of Freight.

<i>Year.</i>	<i>Govt. Railroad.</i>	<i>Private Railroad.</i>	<i>Total.</i>
1890	671,561	1,088,645	1,760,206
1892	982,404	1,719,316	2,701,720
1897	1,558,194	7,070,315	8,628,509
1900	2,806,560	11,594,960	14,401,520

Freight Mileage.

<i>Year.</i>	<i>Govt. Railroad.</i>	<i>Private Railroad.</i>	<i>Total.</i>
1890	25,744,580	39,337,845	65,082,425
1892	44,827,316	92,017,807	136,845,123
1897	99,480,877	312,901,264	412,382,141
1900	223,654,688	508,844,010	732,498,698

Freight Charges.

<i>Year.</i>	<i>Govt. Railroad (yen).</i>	<i>Private Railroad (yen).</i>	<i>Total (yen).</i>
1890	778,798	998,742	1,777,540
1892	1,075,342	1,743,455	2,818,797
1897	2,064,716	6,055,547	8,120,263
1900	4,499,792	10,926,376	15,426,168

From these figures it appears that in the past ten years the number of passengers carried increased five-fold; freight tonnage, eight-fold; total passenger mileage, four-fold; amount of fares five-fold; total mileage of freight eleven-fold; and revenue from freight traffic nine-fold. A comparison of gross revenue from passenger service with that from freight hauled, shows that the latter is but about one-half that of the former. This is in direct contrast with the present revenue from railroads in Europe and America, where the freight earnings are always in excess of those of the passenger service. This is accounted for by the geographical conditions of Japan. The coastwise trade is well developed, and shipping still plays a larger part in general traffic, because it is so much cheaper as a means of transportation. Such heavy commodities as rice, coal and timber are transported largely by water. Inasmuch as the Japanese railroads are constructed on narrow gauge, they are not well fitted for conveying freight of unusual bulk and weight. The following tables show the receipts, expenditures and profits of the business:

Revenue.

<i>Year.</i>	<i>Govt. Railroads (yen).</i>	<i>Private Railroads (yen).</i>	<i>Total (yen).</i>
1887	1,698,873	1,182,345	2,881,218
1892	4,580,632	5,096,634	9,677,266
1897	9,727,490	16,800,057	26,527,547
1900	15,920,385	29,014,009	44,934,394

Expenditures.

<i>Year.</i>	<i>Govt. Railroads (yen).</i>	<i>Private Railroads (yen).</i>	<i>Total (yen).</i>
1887	677,124	392,542	1,069,666
1892	2,166,199	2,437,138	4,603,337
1897	4,786,049	7,578,047	12,364,096
1900	7,101,108	13,622,156	20,723,264

	<i>Profits.</i>		
1887	1,021,749	789,803	1,811,552
1892	2,414,433	2,659,496	5,073,929
1897	4,941,441	10,186,129	15,127,570
1900	8,819,277	15,391,853	24,211,130

This showing gives the following rate of receipts, expenditures, and profits per mile per day:

Receipts	{ Government Railroads	48 yen 70 sen
	{ Private Railroads	27 yen 91 sen
Expenditures	{ Government Railroads	21 yen 72 sen
	{ Private Railroads	13 yen 10 sen
Profit	{ Government Railroads	26 yen 98 sen
	{ Private Railroads	17 yen 81 sen

It will be seen that the expenditure of the government service is much larger than that of the private companies. The government's larger net revenue is due to the fact that it owns the most desirable and profitable lines, *i. e.*, where passenger traffic is heaviest. On its invested capital, the government realized about 8 per cent., while the private concerns made about $7\frac{1}{2}$ per cent.

Merchant Marine.

The edict of Iyemitsu of 1638, which has been mentioned before, seriously crippled the art of ship building and navigation for more than 250 years. All the ships which were constructed were junks of less than 500 koku (74.4 tons) in capacity, with only one mast. They were made without keels, so that they were unfit even for coast navigation. The appearance of the "black ships" of Commodore Perry convinced the Shogunate government of the necessity of having larger ships for the commerce of Japan. The edict of 1638 was revoked so as to allow the government to own large vessels for official use. In 1858 the Shogunate bought a Dutch ship, the *Catalina*,¹ which was the first three-master,

¹ *History of Merchant Marine in Japan*, Publication of Dept. of Communication, Japanese Government, 1883.

of foreign model and of foreign build, ever owned by Japan or her subjects. The new government repealed the old edict and used every possible means to encourage the ship building industry. In 1888 the construction of junks of more than 500 koku burden was again prohibited, but this time the motive prompting the legislation was exactly opposite to that which called out the edict of Iyemitsu. The Japanese junks were so fragile they were not fit for any considerable voyage, and the number of wrecked junks each year was so great¹ that the government determined to encourage the construction of large vessels on the model of European ships. English navigation and shipping has been taken as the model, and the merchant marine of Japan has been developed largely by government initiative. Merchant marine colleges were established in Tokio, Osaka, and Hakodaté. Docks were built by the government as well as by private enterprise. The Yokosuka dock is said to be the finest in the Orient. Several merchant marine companies were incorporated, and the remarkable progress of Japanese navigation and ship building will be best explained by the following tables:

Steam and Sailing Vessels in Japan.²

Year.	<i>Steamers of 100 tons and upwards.</i>			<i>Sailing ships of 50 tons and upwards.</i>	
	<i>No. of Ships.</i>	<i>Gross Tonnage.</i>	<i>Net. Tonnage.</i>	<i>No. of Ships.</i>	<i>Net Tonnage.</i>
1891.....	147	123,279	76,412	104	27,721
1892.....	146	120,882	75,459	98	25,602
1893.....	143	121,697	78,860	100	26,505
1894.....	179	142,095	88,838	260	37,615
1895.....	193	171,901	108,179	256	36,867
1896.....	242	274,659	172,977	255	37,655
1897.....	267	313,568	192,400	249	33,880
1898.....	318	408,503	246,933	234	31,750
1899.....	334	439,509	282,908	240	30,515
1900.....	332	455,535	282,549	316	40,966
1901.....	338	477,311	296,639	1,053	117,364

¹ From 1877 to 1890 the annual average of wrecked junks was 383.

² U. S. Report of Commission of Navigation, 1901.

There are three leading merchant marine companies in Japan. They are ¹ *The Japanese Mail Steamship Company*:

Capital.....	22,000,000 yen.	Gross Tonnage.....	202,366
No. of Steamers	67	Distance of voyages, 1,311,726 nau-	
No. of Voyages	906	tical miles.	

The Osaka Merchant Marine Company:

Capital.....	10,000,000 yen.	Gross Tonnage	42,851
No. of Steamers	57	Distance of voyages, 867,772 nautical	
No. of Voyages	1882	miles.	

The Tōyō Steamship Company:

Capital.....	6,500,000 yen.	Route between Yokahama and San	
No. of Steamers	3	Francisco.	

After the China-Japan War, 1894-1895, the government adopted a new policy for the encouragement of the shipping industry. By the laws which became of force on October 1, 1896, three classes of bounties were provided for.² There are, (1), bounties for encouragement of navigation; (2), bounties for encouragement of ship-building; and (3), bounties granted to special lines. In the first of these classes are the ships built of iron or steel, owned exclusively by Japanese, and plying between Japan and foreign ports. For these vessels the bounty is given at the rate of twenty-five sen per thousand miles per gross ton for a ship of one thousand tons burden and steaming at a rate of ten knots per hour, ten per cent. for each additional five hundred tons, and twenty per cent. for each additional knot of speed are also given until the maximum of six thousand tons and seventeen knots is reached. The bounty on ship-building requires the fulfilment of the following specifications: Ships for bounty must

¹ Yokoi, *The History of Japanese Commerce*, vol. ii, pp. 83 *et seq.* The figures given represent the standing of the companies in March, 1900.

² *U. S. Report of Commission of Navigation*, 1901.

be constructed by Japanese companies whose shareholders are exclusively Japanese, and built of iron or steel and of more than seven hundred tons burden. The rate of bounty is twelve yen per ton for a vessel of between seven hundred and one thousand tons burden and twenty yen per ton for vessels of more than one thousand tons burden. In addition, when the engines are built in Japan, a further bounty of five yen per horse-power is given. The amount of bounty to each special line running under contract with the government is as follows: ¹ figures for 1899-1900.

Yokohama—Melbourne Line.....	525,657 yen.
Yokohama—Bombay Line	192,108 yen.
Yokohama—Europe Line.....	2,673,894 yen.
Hong Kong—Seattle Line	654,030 yen.
Hong Kong—San Francisco Line.....	1,013,880 yen.
Other minor lines.....	366,639 yen.

Total bounties 5,416,208 yen.

Amount of bounty granted to shipping, whether as subsidy for mail service or otherwise, by the government, was as follows: ²

In 1890 and 1891, annually	945,000 yen.
In 1892 to 1895, annually.....	930,000 yen.
1896.....	1,027,275 yen.
1897.....	2,127,086 yen.
1898.....	4,132,123 yen.
1899.....	5,846,956 yen.

(b) *Fiscal and Monetary Systems.*

The change from a long established feudalism to a centralized and unified government in 1868 naturally called out many extensive and striking political and financial schemes.

¹ Austin, *Commercial Japan*, July, 1899. (U. S. Treas. Dept. Pub.) *Monthly Summary of Commerce and Finance*.

² U. S. *Report of Commission of Navigation*, 1901.

There were innumerable improvements to be made, many abuses to be abolished and eradicated, and many western institutions to be introduced for the development of the country. The new government had to face the condition referred to in the old saying, "easy to break and hard to rebuild."

Although political power was restored to the Emperor, and a centralized government established, there was no provision made for any fixed revenue. Such expenses as those made necessary by the Restoration should be paid by the people as a whole, and taxation is naturally the proper method for securing to the government the required sums. But the government found its hands so full of other matters, its position was too precarious to admit an immediate resort to heavy taxation. Such a course would doubtless have worked the speedy downfall of the new régime. The other possible measures of relief, and those to which the government did resort, were public loans and the issue of paper currency.

There is no part of governmental functions more important and more far-reaching than its fiscal system and the general conduct of its financial affairs. The history of its public debts and monetary systems is an interesting and instructive part of the history of the Japanese government. It requires for its full elaboration much larger consideration than is possible here. However, a summary is here given.

The voluntary surrender of feudal principalities to the Emperor made it necessary to remunerate the feudal chiefs, at least in part, for their patriotic sacrifices. Their retainers and vassals, who had been dependent on the fixed allowance made to them, had also to be provided for. Hereditary Pension Bonds were given to them according to the amount of their former income. But seeing that they needed some capital with which to embark in different business enter-

prises, the government saw fit to take up the Hereditary Pension Bonds and to issue instead of them the Voluntary Capitalized Pension Bonds. A good part of the first bonds were exchanged for the later issue; the payment of the principal of which was to be made in annual installments. Soon after the Restoration, the obligations of the feudal chiefs were converted into state liabilities in the same way that the United States assumed the liabilities of the different states in 1790. These constituted the Old and New loans of 1873. Prior to the Restoration, the Shinto priests were supported by an allowance made to them by the Imperial Court or by the chiefs. Their landed property was confiscated by the new government, and in place of it they were given Pro-Rata Pension Bonds.

The first foreign loan, amounting to 4,880,000 yen, was raised in England in 1869. This loan was made to provide for the construction of the railroad between Tokio and Yokohama and for other industrial enterprises. The second foreign loan was floated in England in 1873. The amount of this was 11,712,000 yen, and was chiefly for the purpose of supplying capital to the feudal chiefs and their retainers. Besides these, several domestic public loans were floated in amounts as shown in the following tables. These bonds differed in management, rate of interest and manner and date of redemption, and confusion resulted. The economic development of the country and the growth of credit organizations brought about a favorable condition of the money market. In 1886 all the domestic loans were consolidated, the aggregate of the new loan being limited to 175,000,000 yen at 5 per cent. interest. All public loans and outstanding debts are shown in the table. The table is constructed showing the account on December 31, 1899.

AMOUNTS OF PUBLIC LOANS. ACCOUNT ON DECEMBER 31, 1899. (Given in yen.)

Kinds of Public Loan.		Interest.	Dates of Issue.	Amount Issued.	Amount Redeemed.	Amount Unredeemed.
Loan for introducing changes in institution ..	Foreign loan	7%.	1873	11,712,000	11,712,000	
	New public loan	4%.	1873	12,422,825	12,422,825	
	Voluntarily capitalized pension bond ..	.....	1873	10,972,725	6,144,726	4,827,999
	Pro-rata pension bond	8%.	1874	16,565,850	16,565,850	
	Pre-rata pension bonds for Shinto priests.	{ 5%, 6%, } { 7%, 10%, } 8%.	1876 1877	173,902,900 334,050	148,474,250 334,050	25,428,650
Loan for developing industry	Foreign loan	9%.	1870	4,880,000	4,880,000	
	Industrial works loan	6%.	1878	12,500,000	12,500,000	
	Nakasendo railway loan	7%.	1883	20,000,000	20,000,000	
	Auxiliary railway loan	5%.	1889	2,000,000	2,000,000	
	Railway public loan	4%, 5%.	1894	35,485,000	.....	35,485,000
	Public works loan	4%, 5%.	1897	115,952,250	.....	115,952,250
	Hokkaido railway loan	4%, 5%.	1898	3,000,000	.....	3,000,000
Loan for war purposes	Navy loan	5%.	1887	17,000,000	8,203,400	8,796,600
	War loan	5%.	1895	124,855,750	8,339,300	116,516,450
	Civil war loan	7½%.	1877	15,000,000	15,000,000	
Loan for adjustment of former loans and paper money	Consolidated loan	5%.	1886	175,000,000	6,306,400	168,693,600
	Paper money exchange bonds	6%.	1873	14,599,150	14,599,150	
	Loan for redemption of paper money ..	.....	1885	22,000,000	.....	22,000,000
	.....	.....	1891	.....	.....	.....
Total .....	.....	.....	.....	788,182,600	287,481,951	500,700,649

From the above table it is seen that 154,437,000 yen out of a total of 500,700,000 yen are devoted to productive purposes. The so-called non-remunerative debt of 346,263,000 yen for a population of 44,000,000 is but little more than 7 yen (\$3.50) per capita. The general census figures for 1890 give the per capita debt of various nations as follows: Great Britain and Ireland, \$87.79; France, \$116.35; Germany, \$1.72; Italy, \$76.06; Russia, \$30.79; Austria-Hungary, \$72.42.¹ However, the burden of the debt depends on the national wealth and the productivity of the country. The ratio of public debts to national wealth is given as follows:² United States 1.4 per cent.; the United Kingdom, 6 per cent.; Germany, $8\frac{1}{10}$ per cent.; Russia, 11.1 per cent.; France, 12.8 per cent., while Japan is but 3.3 per cent.³ Moreover, in a country like Japan, where nearly everything is done by government initiative, and under its protection, the national indebtedness tends to be greater than in England and the United States, where government activity is minimized by the highly developed individualism. At any rate, Japan is not burdened by her national debt.

At the beginning of the Meiji administration the revenue of the government was estimated at only 700,000 Rio,⁴ while the enormous expense connected with the restoration of the order of things had to be met. The government adopted the plan of meeting the emergency with the issue of a cheap medium of exchange. The first paper currency

¹ *U. S. Census*, 1890. Wealth, part i, p. 8.

² *Year Book of the London Daily Mail*, 1902.

³ Austin, *Commercial Japan*, 1899, (U. S. Treas. Dept. pub.) "Monthly summary of commerce and finance." The national wealth of Japan is greatly underestimated at 15,000,000,000 yen, but as these are the only data obtainable, I have made them the basis of my calculations.

⁴ Yokoi, *The History of Japanese Commerce*, vol. ii, p. 17.

issued on April 2, 1868, was known as "Dajōkwan Satsu," and the period of its circulation was set at thirteen years. The amount of this issue reached 48,000,000 Rio by the close of the next year. On September 17, 1869, another issue of paper currency appeared, known as "Mimbusho Satsu," amounting to 7,500,000 Rio. This later issue was to redeem and retire the Dajōkwan Satsu which was in large denominations, and also to meet the need for small currency in the money market. But the deficit of the government's revenues was so great that the government felt itself compelled to re-issue the notes instead of cancelling them. The over-issue of this cheap money, together with the yet unstable condition of the new government, made it impossible to circulate this currency except at a great depreciation in value. This paper currency was said to be convertible into specie at par, but one hundred Rio of the paper money was exchanged for forty Rio in specie. The government made several vain attempts to maintain the credit and circulation of the currency, and finally shortened the period of the circulation of the Dajōkwan Satsu and the Mimbusho Satsu to five years, and pledged itself to regard the notes at the end of that period as government bonds bearing 6 per cent. interest. On October 12, 1871, Treasury Convertible Bonds to the amount of 6,800,000 yen were issued. The avowed object of this issue was "to call forth hoarded old coins in order to have them re-coined into new coinage," and to fill up a yearly deficit of revenue in disguise.¹ January 14, 1872, 2,500,000 yen of Kaitakushi Convertible Notes were issued. This issue was to defray the expenses of the colonial government of Hokkaido.

As one result of the restoration, the government was obliged to take over the various kinds of paper money issued by more than 270 feudal chiefs. This money, called "Han

¹ Count Matsukata, *Report on the Adoption of Gold Standard in Japan*, p. 20.

Satsu," was of all shapes, kinds, and of 1694 varieties, amounting in all to 38,551,132 yen. In order to unify the paper money and to prevent counterfeiting, which was then very prevalent, the government decided to exchange all paper currency into notes of more skillful workmanship. The new money, made by a firm in Frankfurt, Germany, was issued in 1872 in exchange for all of the previous issues—the Dajōkwan Satsu, the Mimbusho Satsu, the Treasury Convertible Notes, the Kaitakushi Convertible Notes, and the Han Satsu. The extraordinary feature of this last issue was that it was inconvertible, and thus, without exception, the paper currency of the country came to be inconvertible.

The monetary system which was established by Iyeyasu in the sixth year of Keichō, 1600 A. D., remained unchanged to the last days of the Tokugawa Shogunate. Through the successive debasements of the coinage during 260 years, the character of the Keichō system had been lost and the currency of the country was in the utmost disorder, but it remained, nevertheless, a gold standard money. The amount of the different coins in circulation at the beginning of the Meiji government was estimated to be as follows:¹

Old Gold and Silver Coins	97,030,000 Rio.
Gold Coins.....	87,610,654 Rio.
Silver Coins.....	52,665,000 Rio.
Copper, etc	6,303,000 Rio.

The new government undertook to meet the pressing need of monetary reform. In view of the existing industrial conditions, and the wealth of the country, the government deemed it wise to have an inexpensive metallic currency for the circulating medium of the country. In a low stage of industrial development, it is true that a plentiful supply of a cheaper money is better for the development of the resources

¹ *Report of Department of Finance, Japanese Government, 1876.*

of the country than a scarcity of dearer money. Adam Smith wrote that "no complaint is more common than that of scarcity of money." The government needed a large supply of money for all the enterprises and undertakings which were springing up, and, inasmuch as the Oriental countries were on a silver basis, silver was made the standard in Japan, and gold subsidiary. In November, 1870, the government began to coin silver. Meanwhile, early in 1871, a memorandum¹ from Mr. (now Marquis) Ito, Vice Minister of Finance, who was traveling in the United States, commended to the notice of the government the advantages of the gold standard monetary system. In this way a change was effected in the coinage policy of the country, and the gold standard was adopted. At that time, Mexican dollars were used universally in the commerce of the Far East, and in order to facilitate foreign trade, silver yen, which were called "Trade Dollars," were coined for use, and to be legal tender only in treaty ports.

The yearly deficit in the revenues and the Civil War of 1877 compelled the government to issue a large amount of inconvertible paper currency, and this, added to the fall in price of silver, drove the gold almost entirely out of the country. In 1878 the government adopted the policy of a bimetallic standard, and the Trade Dollar was made legal tender outside the treaty ports. Silver yen acquired the same legal value as gold yen throughout the country, and the monetary system of the country was changed from the gold standard to the "double standard." But this did not stop the efflux of gold, for the fall in price of silver continued. The world's production of this metal had already increased since 1871; the German Empire had adopted the gold

¹ Count Matsukata, *Report on the Adoption of the Gold Standard in Japan*, pp. 2 *et seq.* The agitation which attended the passage of the Act of 1873 in the U. S. may have influenced Mr. Ito to some extent.

standard in 1871. Silver coinage was repudiated by the Latin Conference,¹ and the Act of 1873 had been passed by the United States. Japan was legally on a bimetallic basis of coinage, but actually on a monometallic basis, that is, the silver standard.

Mr. Tooke and other economists have fully established the fact that depreciation is not a necessary consequence of inconvertibility of paper currency, if the money be not issued in excess. But the ever-recurring deficit in the revenue of the government led it again to over-issue paper currency, and an enormous depreciation was the inevitable result. In order to withdraw some of the paper money from circulation the government issued Paper Money Exchange Bonds bearing 6 per cent. interest. To ease the money market, the establishment of national banks was encouraged, the national banking legislation of the United States being made the basis of Japanese legislation. It was ordered that "the national bank was to deposit with the government paper money equal in amount to six-tenths of its capital, in return for which the government was to deliver to the bank the same amount of the Paper Money Exchange Bonds bearing six per cent. interest. On the security of these bonds, the same amount of bank notes were delivered. Of the capital of the bank, four-tenths was to be in specie, and kept for the conversion of these bank notes."² But as soon as the bank notes were issued, the demand on the banks for exchange was so great that the full amount of bank notes were not issued, . . . the amount of the issue did not reach two million yen. Meanwhile with the older view that public debt is capital, the government issued 174 million yen of the Hereditary Pension Bonds in order to supply the needs

¹ Shaw, *History of Currency*, pp. 190, 276.

² Count Matsukata, *Report on the Adoption of the Gold Standard in Japan*, p. 25.

of the market for capital. The banking legislation was so modified that bank notes were to be issued to the amount of 34 million yen on the security of these bonds, and the bank notes were to be convertible, not into specie, but into currency. As the currency of the time was inconvertible paper money, these bank notes were simply another kind of inconvertible paper. The mistaken policy of the government was based on "the erroneous conception that capital and currency were interchangeable terms."¹ National banks were established throughout the country to the number of 153 in 1879.

As the following table² shows, the increase of the paper currency was so great that the difference between silver and paper became marked and disproportionate:

<i>Year.</i>	<i>Government Paper Money (yen).</i>	<i>Bank Notes (yen).</i>	<i>Specie Reserve (yen).</i>
1868	24,037,389	.....	.....
1869	50,090,867	.....	19,611
1870	55,500,000	.....	39,873
1871	60,272,000	.....	191,287
1872	68,400,000	.....	14,709,800
1873	88,281,014	1,362,210	14,819,127
1874	101,802,304	1,995,000	18,483,983
1875	99,071,869	1,420,000	14,664,027
1876	105,147,582	1,744,000	15,171,224
1877	105,797,092	13,352,751	15,115,405
1878	139,418,592	26,279,006	17,837,729
1879	130,308,921	34,046,014	9,967,879
1880	124,940,485	34,426,351	7,166,819
1881	118,905,194	34,396,818	12,699,576

In 1879 the ratio between silver and paper was 1 yen of silver to 1 yen 21 sen of paper. The government thought the existing condition of affairs was due to the appreciation of silver and not to the depreciation of paper. It, therefore, attempted to keep the price of silver down. In 1881 1 yen

¹ Count Matsukata, *Report on the Adoption of the Gold Standard in Japan*, p. 25.

² *Ibid.*, p. 29.

of silver brought 1 yen 81 sen of paper, and this was the lowest point ever reached. The immediate effects of this disordered financial condition were a general rise of prices, lack of available capital, rapid rise of the rate of interest, and wild speculation. Imports exceeded exports, and this, taken in connection with the other unhappy conditions, caused an increasing efflux of specie. The following figures illustrate the conditions:

Exports and Imports of Commodities (in yen).

<i>Year.</i>	<i>Exports</i>	<i>Imports.</i>	<i>Balance.</i>
1868	15,553,473	10,693,072	¹ 4,860,401
1869	12,908,978	20,783,633	7,874,655
1870	14,543,013	33,741,637	19,198,624
1871	17,968,609	21,916,728	3,948,119
1872	17,026,647	26,174,815	9,148,168
1873	21,635,441	28,107,390	6,471,949
1874	19,317,306	22,461,814	4,144,508
1875	18,611,111	29,975,628	11,364,517
1876	27,711,528	23,964,679	¹ 3,746,849
1877	23,348,522	27,420,963	4,072,381
1878	25,988,140	32,874,834	6,886,694
1879	28,175,770	32,853,002	4,777,232
1880	28,395,387	36,626,601	8,231,214
1881	31,058,888	31,191,246	132,358

Exports and Imports of Gold and Silver (in yen).

<i>Year.</i>	<i>Exports.</i>		<i>Imports.</i>		<i>Balance.</i>	
	<i>Gold.</i>	<i>Silver.</i>	<i>Gold.</i>	<i>Silver.</i>	<i>Gold.</i>	<i>Silver.</i>
1868	No reliable returns before 1872.					
1869						
1870						
1871						
1872.....	2,684,786	1,796,109	.....	3,691,510	2,684,786	1,895,401
1873.....	2,614,055	2,508,872	2,013,907	1,066,635	600,148	1,442,237
1874.....	8,126,290	5,868,912	2,700	1,069,031	8,123,590	4,799,881
1875.....	10,603,345	4,060,626	26,515	271,807	10,629,860	3,788,819
1876.....	5,872,356	4,803,345	721,465	7,545,776	5,150,891	2,742,431
1877.....	6,221,777	3,219,494	162,281	2,011,218	6,059,496	1,208,276
1878.....	4,601,083	3,727,570	243	2,188,858	4,600,840	1,538,712
1879.....	4,749,635	8,029,229	731,666	2,403,138	4,017,969	5,626,091
1880.....	5,888,174	7,334,819	20,618	3,617,612	5,867,556	3,717,207
1881.....	2,246,889	5,243,658	150	1,855,997	2,246,739	3,387,661

¹ In 1868 and in 1876 the exports exceeded the imports. The failure of the silk industry in France and in Italy caused an unusually large exportation of raw silk in 1876; in all other years the balance was regularly against Japan.

Imports of silver were in excess in 1872 and in 1876. The former was due to the foreign loan of 1871, and the latter to the export of raw silk.

The above is the monetary history of Japan to 1881, when another financial reform took place, and paved the way for the adoption of the gold standard in 1897. With the appointment of Mr. Matsukata to be the Minister of Finance, in 1881, a new epoch in the financial history of Japan was inaugurated. His financial policy embraced two leading principles. First, to increase the revenues of the government by means of additional taxation and by lessening the burden of the central government through the increase of local taxation, and with the increased revenue to augment the specie reserve for the redemption of paper currency. Second, to establish a central bank which should serve as a regulator of the currency of the country. Mr. Matsukata believed that the lack of capital and the rise in the rate of interest were both due to unequal distribution and restricted circulation of currency in the country. The system of national banking was so imperfect that correspondence and intercommunication between the banks was not well organized. In fact, the condition approached that of a banking "feudalism," each bank working within a narrow sphere of influence.

The history of banking in the various European states discloses the fact that while the influences which called into existence large, central banking institutions varied widely, the result of the establishment of these great banks was identical in every case, *i. e.*, a semblance of financial order was instituted and the banks served to regulate, within their spheres of influence, the circulation of currency.

In 1882 the Bank of Japan¹ was established after the

¹ Count Matsukata, *Report on the Adoption of the Gold Standard in Japan*, pp. 43-67, for his memorandum in regard to the establishment of a central bank in Japan, pp. 67-71, for regulations of the Bank of Japan.

model of the Bank of Belgium. The Bank of Japan was to issue convertible bank notes which were exchanged for the inconvertible paper money of the government and for the national bank notes.¹ In 1890 the government adopted the plan by which it set apart a Special Comptabilité Fund for the entire withdrawal of the government paper money which ceased legally to circulate on December 31, 1899. The charters of the national banks expired by limitation in 1897, and after twenty years of experiment and experience, these institutions became private banks. The notes of the national banks ceased to circulate on December 9, 1899. Thus all paper currency was replaced by the convertible silver certificates of the Bank of Japan, and Japan became *de facto* a silver standard country. The success of Mr. Matsukata's policy is indicated by the following figures:

Amount of Paper Currency in Circulation and Specie Reserve.

<i>Year.</i>	<i>Government Paper Money and Bank Notes (yen).</i>	<i>Specie Reserve (yen).</i>
1882	143,754,363	16,730,267
1883	132,275,012	25,876,230
1884	124,396,175	33,569,188
1885	118,500,485	42,265,640
1886	97,302,323	25,865,864
1887	84,419,177	19,790,388
1888	74,414,389	8,150,822
1889	67,929,788	10,709,953
1890	59,083,435	25,000,000
1891	52,756,229	20,500,000
1892	44,718,754	15,000,000
1893	39,163,118	12,000,000
1894	35,186,343	9,000,000
1895	31,926,010	8,000,000
1896	25,874,060	7,365,000
1897	14,100,989	6,965,000

¹ *Op. cit.*, p. 83, for regulation of redemption of national bank notes; pp. 85-86 for regulations of Convertible Bank Notes of Bank of Japan.

The following figures exhibit a trend directly opposite to the table, showing the balance of exports and imports up to 1882; that is to say, imports exceeded exports in but two years, 1890 and 1894. The first was due to the failure in part of the rice crop in Japan. The excesses of imports over exports since 1895 are chiefly due to the influx of Chinese indemnity and to the Post-Bellum industrial expansion of the country.

Exports and Imports of Commodities (given in yen).

<i>Year.</i>	<i>Exports.</i>	<i>Imports.</i>	<i>Balance.</i>
1882	37,721,751	29,446,594	8,275,157
1883	36,268,020	28,444,842	7,823,178
1884	33,871,466	29,672,647	4,198,819
1885	37,146,691	29,356,968	7,789,723
1886	48,876,313	32,168,432	16,707,881
1887	52,407,681	44,304,252	8,103,429
1888	65,705,510	65,455,234	250,276
1889	70,060,706	66,103,767	2,956,934
1890	56,603,506	81,728,581	25,125,075
1891	79,527,272	62,927,268	16,600,004
1892	91,102,754	71,326,080	19,776,674
1893	89,712,865	88,257,172	1,455,693
1894	113,246,086	117,481,955	4,235,869
1895	136,112,178	129,260,578	6,851,600
1896	117,842,761	171,674,474	53,831,713
1897	163,135,077	219,300,772	56,165,695
1898	165,753,753	277,502,157	111,748,404
1899	214,929,894	220,401,929	5,472,032
1900	204,429,994	287,261,846	82,831,852

Exports and Imports of Gold and of Silver (given in yen)

	<i>Exports.</i>		<i>Imports.</i>		<i>Balance.</i>	
	<i>Gold.</i>	<i>Silver.</i>	<i>Gold.</i>	<i>Silver.</i>	<i>Gold.</i>	<i>Silver.</i>
1882.....	1,251,035	3,179,162	500	6,160,224	1,250,535	¹ 2,981,062
1883.....	1,009,570	2,146,995	559	5,450,942	1,009,011	¹ 3,303,947
1884.....	1,423,654	3,581,418	299,202	5,312,557	1,124,452	¹ 1,731,139
1885.....	492,636	3,763,809	608,813	6,938,028	¹ 116,177	3,174,219
1886.....	302,542	9,323,905	1,159,468	8,012,405	¹ 856,926	1,311,500
1887.....	86,236	10,949,252	1,259,527	7,611,739	¹ 1,173,291	3,337,513
1888.....	450,284	7,383,160	1,203,252	7,529,239	¹ 752,968	¹ 146,079
1889.....	268,010	4,920,520	749,924	13,423,322	¹ 481,914	¹ 502,802
1890.....	1,687,606	12,090,926	360,242	840,365	1,327,364	11,250,561
1891.....	230,446	1,222,518	283,144	13,605,382	¹ 52,698	¹ 12,382,864
1892.....	8,544,523	1,185,230	395,493	22,488,264	8,149,030	¹ 21,303,034
1893.....	2,302,678	9,986,510	496,730	10,689,757	1,805,948	¹ 703,474
1894.....	3,547,138	30,831,973	555,966	26,227,687	2,991,172	4,604,286
1895.....	2,791,952	24,509,747	1,029,912	4,844,252	1,762,040	19,665,495
1896.....	1,996,576	9,602,308	10,217,458	28,924,750	¹ 8,220,882	¹ 19,322,442
1897.....	8,863,798	10,355,366	64,313,493	17,153,220	¹ 55,449,695	¹ 6,797,854
1898.....	46,281,349	40,706,132	37,027,753	5,536,028	9,253,596	35,170,104
1899.....	8,768,365	2,409,882	20,080,696	82,805	¹ 11,312,331	2,327,077
1900.....	51,761,620	4,945,443	8,967,198	2,550,637	42,794,422	2,394,806

¹ Denotes excess of imports over exports.

It appears that the increase of the specie reserve, the favorable balance of trade, and the influx of specie relieved the strained conditions of the country, brought about a fall in the rate of interest and the gradual rise of paper money, until it was at par with specie, and thus effected a more healthy circulation of currency throughout the country.

The change from inconvertible paper currency to the *de facto* silver standard was a step toward the goal of Mr. Matsukata's financial policy. His next undertaking was a monetary system based on the gold standard. A commission was appointed on October 14, 1893, to investigate regarding the finances of the nation. After exhaustive research and careful deliberation, the commission reported ² in July, 1896, recommending the adoption of a gold monometallic monetary system. The one difficulty which seemed to offer an effectual bar to further progress in that direction was solved

¹ Count Matsukata. *Report on the Adoption of Gold Standard in Japan*, pp. 161-163.

in a manner similar to that which led the German Empire to the financial reform of 1871. The war indemnity which Japan exacted from China amounted to about 380,000,000 yen. Within a period of one year Japan was made a gold standard country.

To change the monetary system of a nation is to change the whole standard of price-making. It is therefore a matter of prime economic importance, and cannot be too carefully managed. The situation as it then existed in Japan was briefly this:

The money standard was nominally bimetallic, but actually the monometallic silver standard prevailed. The market ratio between the two metals was 32 to 1. One gold yen was worth exactly two silver yen. In order to obviate the danger of a sudden fluctuation in price, and a violent disturbance between the debtors and creditors under existing contracts, the new gold yen was made one-half the value of the former gold yen, and exactly equal to the silver yen. In this way, without any friction or disturbance, Japan put herself in position to keep pace with civilized nations, and to keep her foreign trade intact and free from the inconsistencies and incongruities which otherwise must have been made more or less painfully apparent.

It is impossible, at this time, to form an intelligent judgment of the effect on the foreign trade relations of this change in the monetary system, for there have been too many disturbing forces in operation since the change was made, notably, the various effects of the war, failure of the rice crop, enforcement of a new tariff, etc. But the judgment of the commission is commendable when it says, "basing the monetary standard on the falling metal may not be consistent with the real and lasting welfare of the country." Freedom from constant fluctuation in the rate of exchange may have facilitated Japan's trade with

gold standard countries. This trade now amounts to about two-thirds of the entire volume of our foreign trade, as may be seen in the following tables; and a closer and safer connection between Japan and the central money markets of the world may have been effected by the change.¹

The gold standard countries used in the compilations are the United States, Great Britain, including Canada and Australia and excluding British India; France, Germany, Belgium, Switzerland, and Italy. The silver standard countries are China, Korea, Hong Kong, French India, the Philippines, Russia, Siam, Peru, and Mexico.

<i>Years.</i>	<i>Exports to Gold Standard Countries.</i>	<i>Imports from Gold Standard Countries.</i>	<i>Exports to Silver Standard Countries.</i>	<i>Imports from Silver Standard Countries (in yen).</i>
1893.....	58,343,976	46,669,990	25,454,018	29,858,187
1894.....	77,222,724	68,010,849	28,646,992	38,274,038
1895.....	94,676,111	76,102,130	32,879,632	40,156,284
1896.....	68,994,843	107,201,306	39,298,089	40,700,962
1897.....	97,256,310	122,696,245	54,203,008	65,457,099
1898.....	85,244,959	145,060,872	69,087,376	77,179,709
1899.....	116,720,000	117,594,000	85,201,000	53,215,000
1900.....	99,560,317	185,879,404	86,611,618	61,967,371

It is impossible to enter on a general discussion in this place of money economy and fiscal systems, but attention may be called to some points which are often overlooked, and especially the advantages which a silver standard country enjoys in the matter of foreign trade. For instance, when the price of silver falls it is evident that the rate of exchange between the silver using country and the gold standard country will also fall. In that case the products of the silver country would sell at a lower price in the markets of the gold country. This would tend to increase the demand for those products, and the price of them in the silver country would rise accordingly. The rise in prices of the commo-

¹ Count Matsukata, *Report on the Adoption of Gold Standard in Japan*, p. 374.

ties in the silver country would give a larger profit per unit of production. This is a reason why the exports of a silver country increase with the fluctuation of ratio between gold and silver, and it may be regarded as a feature of special advantage to silver using countries. As indicated in the above table, since her adoption of the gold standard, Japan's exports to gold standard countries tended to decrease while the imports from them greatly increased. The Spanish-American war and the crop failures in Japan partly account for the decrease of exports to gold countries, and the influx of indemnity and the post-bellum industrial expansion of the country partly account for the larger imports. But over and above these, the change in the monetary system has encouraged importation from the gold using countries. It is true that two-thirds of our present foreign trade is with gold standard countries, but it must be remembered that, with the exception of the United States, there are no bright prospects of future expansion of trade with them. It is probable that our trade with foreign nations, especially those of Europe, has come to a stand-still, if it has not even reached and passed its climax. On the other hand, our trade with China and Korea, and other silver standard countries of the Far East, has been increasing recently at a remarkable rate, and is full of possibilities.

While the adoption of the gold standard has doubtless brought Japan into commercial relations on a more equal footing with gold standard countries, she may have sacrificed for that end the special advantages of silver standard countries, and it remains to be seen which will serve her best in the long run.

(c) *The Era of "Free Trade" and Industrial Revolution.*

In the middle of the eighteenth century, with the rise of a school of French economists known as the Physiocrats,

agriculture came to be considered the only source of wealth. The Physiocrats "laid stress on the powers of nature as the basis of national prosperity and of public wealth."¹ Their doctrine dealt with the creation and consumption of wealth rather than with the problem how to increase and to distribute it. They taught that agriculture alone yields a *produit net*, that is, a margin of value above labor cost, and that manufacture, by costing all the additional value it imparted to a commodity, produced none and was "sterile."² With the beginning of the industrial revolution which started in England in 1770, the Physiocratic ideas were gradually displaced by the much discussed and much emphasized "doctrine of exchange" of the English classical school. Until the close of the seventeenth century England was but an agricultural country, and her commercial and industrial supremacy was a characteristic feature of her growth in the nineteenth century. This transformation was a sequel, if not a consequence, of the agricultural, industrial, and commercial changes.³

The inventions of Hargreaves, Arkwright, Watt, and Cartwright changed not only the method of production, but also the organization of industrial society. The domestic stage of industry became transformed into the factory system, and the centre of economic power shifted from the landed aristocracy to the capitalist class. The factory system, however, was much more due, as a system, to the expansion of trade.⁴ The rapidly increased facility of transportation and communication widened the sphere of supply and demand from local limits to the world market. The opening of the Suez Canal in 1869 so altered the channels of commerce

¹ Hadley, *Economics*, p. 9.

² Higgs, *The Physiocrats*, p. 43.

³ Price, *English Commerce and Industry*, p. 185.

⁴ Toynbee, *Industrial Revolution*, p. 91.

and trade that large demands of distant markets were brought so near as to make it necessary to produce on a larger scale than ever before. This urged on what is called "the Factory System."

It is said that the modern industrial revolution started in the cotton spinning industry. The changes brought about in the processes of manufacturing were so great as to be termed "revolutionary." They were radical changes in the method of production. The utilization of steam power and the application of inventions to methods of production were greater improvements in that line of activity than had ever been made in human history. Economy in the labor used in production was the cardinal point in the revolution.

Production is a collective operation, as Professor Clark says, and it is dependent upon organization, and is nothing if not organized. The fall in the prices of manufactured commodities no doubt increased, both directly and indirectly, the wants and the capacity for consuming of the people. And the abundance and consequent cheapness of one class of commodities may have brought it into use as a substitute for some other. The character and quality of consumption were changed in the course of time, but this was a gradual process, an evolution, and there was no general shock of transition in the nature of general demand. It is necessary to understand the importance of this feature of the industrial revolution in order to comprehend the radical contrast between it and the industrial revolution in Japan.

For the industrial revolution in Japan was altogether different from that which occurred in western Europe. It happened, in the history of modern Europe, that the growth of industrialism precipitated the overthrow of Feudalism, and the industrial revolution paved the way for political revolution. In Japan, on the contrary, the political revolution was the actual efficient cause of the industrial revolu-

tion, and this in turn was not a change in the methods or organization of the productive forces of society.

The political revolution of 1868 affected, first of all, all the traditional social institutions of the nation. The opening up of the country to the world brought foreign commerce and industrial capital into prominence as factors animating the people toward national progress. All progress is conditioned by cost, and social progress is always attended by a more or less difficult readjustment involved in the breaking up of long established relations, interests and occupations.¹ When the destructive social activity exceeds that of constructive readjustment, it is disorganization, or chaos of social orders. The political revolution of Japan had left the nation almost at the point of such a crucial experience. That characteristic of the Japanese people, their willingness to adopt everything which is found to be superior and to give up unhesitatingly what is proved to be inferior, led them to a blind craze for everything European-American. The general human propensity to seek novelty and the force of fashion and custom, are economic factors of self-evident importance. It became the fashion to adopt whatever foreign thing was capable of being adopted. As Count Okuma expresses it, it was as if "a new class of consumers with widely different tastes had been suddenly called into existence among the old class of manufacturers, asking for things which the manufacturers knew nothing of, and which, therefore, they could not supply."²

As change in the methods of production had been the main factor in the industrial revolution of the West, change in the nature of consumption was the conspicuous feature of the revolution in Japan. And the change was no such

¹Giddings, *Democracy and Empire*, p. 77.

²Okuma, *Industrial Revolution in Japan*, North American Review, Nov., 1900.

gradual process as it was in Europe, but a quick, sudden, impetuous transition affecting the whole element of demand. Consumption is a fundamental economic principle; it is individualistic, not dependent on organization, and normally its changes are gradual and quietly transitional.

Professor Roscher argues that while a nation is politically independent but economically in a low industrial stage, it is the wise policy for that nation to adopt entire freedom of trade and commerce with the outside world. "Such freedom will cause the influences of the incentives, wants, and means of satisfaction of a higher civilization to be felt soonest in the country."¹

These conditions were perfectly fulfilled in Japan in the period immediately succeeding the Restoration of 1868. That movement had given to her a unified, centralized, monarchical government, but she was in a low industrial stage. It was the period of transplanting and of imitation. Japan was searching the western civilization for whatever seemed to bear the best fruits, choosing one thing from France, another from Germany, others from England and America and other countries. In such circumstances "free trade" doubtless served as an incentive to national progress.

The essential feature of the free trade policy is to foster the abundance and cheapness of consumers' goods. The radical change in the nature of consumption, which has been noted, made the adoption of perfect freedom of trade, or as nearly that as conditions would allow, most advantageous to the nation at large.

According to the provisions of the treaties negotiated, Japan had no power of tariff autonomy. Circumstances having been such as to impel her to such a course, she could have adopted no measures for the encouragement of home industries by laying protective duties, as seemed most

¹ Roscher, *Political Economy*, vol. ii, p. 434.

desirable. The highest duty she could levy on foreign goods was five per cent. *ad valorem*. Thus foreign goods, finding no competition or hindrance to their ingress, flowed into the country freely. The figures already adduced show the excess of imports over exports during the first ten years after the Restoration. As a result, many home industries which had been established in the provinces in the feudal regime were driven out of business and the greater part of Japan's industrial world was paralyzed.

In England the progress of inventions and the introduction of machinery had gradually resulted in lifting the common laborer to the plane formerly occupied by the skilled laborer. But in Japan the revolution involved the displacement of labor by unequal competition forced on Japan by the treaty inequalities and the peculiar nature of her industrial stress. She could not produce to meet the new demands. The presence of foreign goods prevented an enforced equilibrium of supply and demand by a gradual change and modification of each. Her skilled laborers were thrown out of employment and into the ranks of the unskilled, while these were forced nearer to the minimum of subsistence line, or past it. A lower grade of land was brought into cultivation, the wage level was lowered, the price level of goods of domestic production was materially decreased. The standard of living, never very high among the laboring classes, was lowered still more. There was an abundance of skilled labor at low wages, but the men could not understand the use of modern complex machinery. The capitalist could not apprehend the advantage of joint capital and modern industrial organization.

The great expense connected with the opening up of a new industry makes the interest obtained from the invested capital for some time much below the level of that obtained through other lines of investment. Not only did the gov-

ernment give assistance to private companies sufficient in amount to cover all losses incurred by foreign competition, but it established several manufacturing industries by way of experiment and example. By this government aid the people began to grasp the significance and advantage of the modern industrial system. Railways, mining corporations, cotton mills, paper factories, and many other enterprises, made their appearance as private undertakings.

Although there were many difficulties to be met in adopting the industrial system and many adjustments of institutions to the new order of things, the home manufacturers became able to meet in part the demands of New Japan. The following figures will best illustrate the progress of manufacturing industries. The imports of some staple raw materials are steadily increasing, while those of manufactured articles remain, relatively speaking, at a standstill. The export of manufactured articles is also increasing.

Cotton and Woolen Goods Imported into Japan (yen).

	COTTON.		WOOL.	
	<i>Manf'd.</i>	<i>Raw.</i>	<i>Manf'd.</i>	<i>Raw.</i>
1882.....	10,898,000	483,000	1,838,000	
1887.....	11,652,000	913,000	3,875,000	208,000
1892.....	11,930,000	12,324,000	5,318,000	323,000
1897.....	19,544,000	43,623,000	9,479,000	1,168,000
1900.....	14,364,000	62,210,000	8,252,000	4,445,000

Principal Manufactured Goods Exported from Japan (yen).

<i>Articles.</i>	1889.	1897.	1898.	1899.
Habutaye.....	250,000	9,530,000	12,055,000	15,799,000
Other Silk Goods	553,000	716,000	1,191,000	2,293,000
Silk Handkerchiefs	2,104,000	3,390,000	3,555,000	3,461,000
Cotton Goods	143,000	2,716,000	2,860,000	4,267,000
Carpets.....	54,000	847,000	850,000	721,000
Matches.....	1,137,000	5,641,000	6,273,000	5,890,000
Matting	166,000	3,232,000	3,938,000	3,710,000
Cotton Yarn	1,200	13,490,000	20,101,000	28,521,000
Porcelain and Pottery ..	1,529,000	1,819,000	1,989,000	2,181,000
Lacquer Ware	628,000	767,000	783,000	988,000
Straw Braid.....	146,000	3,181,000	2,404,000	2,770,000
Umbrellas	84,000	627,000	687,000	953,000
Totals.....	6,795,000	45,956,000	56,686,000	71,554,000

CHAPTER V.

GOVERNMENTAL ACTIVITY

I. *Protection for Young Industries.*

THE overthrow of Mercantilism and the rise of a more liberal sentiment marked the middle of the eighteenth century in Europe. The Natural Law of the Stoics had been incorporated into the system of Roman law, and by means of the pandects of Justinian it passed into the judicial phraseology and thought of the western nations. It had also been taken up by the philosophers, and through Locke, Hobbes and Rousseau, it came into wider acceptance in the thought of the time. It was Quesnay (1694-1774), the leader of the Physiocratic school, who interpreted this Natural Law in the terms of positive law as affecting the social and economic problems of the day. He contended that natural law underlies and includes all just laws, and that natural rights are the gift of Nature, universal and inviolable, and the final standard by which the laws of man must be adjusted and judged. The liberalizing influence of this position was felt in all the commercial legislation of the European nations. The Anglo-French commercial treaty of 1786 and the treaties France made with Holland and Russia in the succeeding years, embodied very liberal principles.¹ The United States, before the Embargo Act, was practically a free-trade country. The outgrowth of this liberal tendency was shown in the development of individualism in economic affairs and the doctrine of Laissez-Faire in governmental

¹ Bastable, *Commerce of Nations*, p. 47.

activity. "Maintain that complete liberty of commerce," said Quesnay, "for the regulation of internal and external commerce that is most certain, most precise and most profitable to the nation and to the state, which consists in full liberty of competition."¹ It was an age in which nations were made to give heed to the doctrine of humanity, and the people objected to state interference with any kind of exchange on the grounds of man's natural right to exchange his own products with whom he would. Thus the doctrine which overthrew mercantilism and developed a free-trade movement had its roots in widely different soils.

It was Adam Smith who completed the overthrow of mercantilism and created a new epoch in economic science. He was largely an inductive economist, and laid stress on the force of natural law in economics. His ethical system was based on philanthropy and sympathy, while his economic views rested upon self-interest and the working out of natural law,—let each one develop along his own lines so as best to utilize his own opportunities. The argument that restriction in trade is a violation of natural right was carried to its limit by Bastiat, who declared, "Protection, in all its forms, is but a new kind of theft."² The influence of Adam Smith was destructive to mercantilism, and constructive in its relation to economic science at large. Mercantilism, based essentially on nationalism, was superseded by cosmopolitanism and the doctrine of natural law and natural rights.

Adam Smith and his followers, having in mind but a small part of the earth's surface as constituting the economic world, assumed that all nations are equal and that, as a corollary of this fact, free exchange of commodities, the tangible results of the division of labor among the nations, must be universally profitable. The error of this position lies in the

¹ Bastable, *Commerce of Nations*, p. 42.

² Bastable, *Theory of International Trade*, p. 130.

fact which actual conditions exhibit, that nations are unequal in every way and that the stronger is bound to swallow up, economically, the weaker ones which lie in the outer zone of the economic world, if absolutely free exchange of products is the invariable rule. Free trade is the application to economic relations of the doctrine of cosmopolitanism.

But the ideas of philosophers will fail to effect any change in social organizations until all conditions conspire to bring about such a situation that the incorporation of their ideas becomes a natural, if not a necessary step in general progress. Such a combination of conditions as this occurred toward the close of the eighteenth century. A great change was made in the methods of agriculture in western Europe. The system of rotation of crops and convertible husbandry, as opposed to the old open field system were introduced. This marked development was followed by the industrial revolution, and the economic features of the nations affected were in a state of rapid modification and transformation. Then came the equally rapid development of international trade, and the widening of the sphere of supply and demand to the world market instead of mere local influences.

The *raison d'être* of international trade lies in the difference of comparative cost, as first detected by Ricardo, and elaborated by Professor Cairnes in his *Principles of Political Economy*. This comparative cost, contradistinguished from absolute cost, refers to commodities which are subject to exchange within each country, not to those same commodities in exchange between countries. This means that each country will produce only those commodities which cost least to produce in that place, and will give them in exchange for such commodities as cost more to produce. To withdraw labor and capital from the production of commodities of higher cost, and divert them wholly to the production of commodities of least cost, would be a vast saving of labor

and capital, and make possible production on a much larger scale, if the ideal were capable of fulfilment. The theory would be conclusive if economic facts were as simple and ideal as Ricardo assumes; if society were in a state of complete static adjustment; if labor and capital were perfectly mobile and capable of ready transference from one industry to another; if the self-interest of the individual were identical with the interests of society. The absence of these conditions makes the conclusions of less practical and decisive force. Professor Bastable summarizes admirably the cardinal points of the free-trade policy. "In every particular exchange there is necessarily a gain to each party concerned, but the sum total of exchanges is composed of the several particular exchanges which have been made; and as each of the latter implies a gain, the immediate result must be beneficial."¹ This theory of exchange was put forward by the Manchester school as the fundamental fact of all economic science.

About the beginning of the nineteenth century all the European nations found themselves drawn into war. The theory of nationality was highly developed. The idea of high tariffs is a creature of war. National industries, protected after a fashion by the fact of war, would find themselves more exposed to foreign competition, and crippled by it, in peace than in war. Pressure was brought to bear on the government to perpetuate, at least in part, the custom duties, tariffs, and embargoes which were entered on originally as hostile and punitive measures directed at the enemy. Such appeals, added to the increased burdens on the governments, because of the wars or of necessary expenditures growing out of them, made the protective policy the most easy and most natural course. Moreover, growing population and the comparatively decreased productiveness of the

¹ Bastable, *Theory of International Trade*, p. 133.

soils made it highly expedient for the nations to depend less on industries of decreasing returns and to foster and to stimulate industries of increasing returns. The initial cost of this class of industries is comparatively large, and the period of increased cost may be protracted for a considerable time. In order to assure the industry against loss during this period of high relative cost, a protective tariff, which in other conditions is an economic waste, is a valid and valuable governmental agency for its own prosperity and wealth. Protective measures were taken to meet the requirements of existing conditions.

Frederick List counteracted the "cosmopolitan economy" of Adam Smith by his "national economy." List opposed strongly the narrow balance of trade theory and the old mercantile system, as well as the doctrines of free trade. He pointed out that cosmopolitanism as an ultimate ideal could be reached only through the development of nationalism. To develop the welfare and energy of a nation by increasing its productive force, was the key-note of his theory.

The rise of the historical school marked another departure in the development of economic science. This school ignores the deductive method of economic study and denies the existence of immutable natural law in economics. The controversy which was waged for a time between the schools is giving way to broader views and the more general acceptance of another class of ideas. "The antithesis between the historical school and deduction is giving place to a distinction between static and dynamic problems."¹ But the historical school must be credited with one marked contribution to economic thought. It pointed out the fact that an economic policy which had proved good for one nation at one time could not be regarded as invariably good for other

¹ Hadley, *Economics*, p. 23.

nations and for other times.¹ The real position of the historical school is that the economic policy of a nation must be formulated in view of the dynamic conditions in which that nation finds itself.

All the traditional arguments for free trade are based on the theory of static conditions, and they define the economic world as of smaller area than it really is. Grant the static theory of social conditions and the argument for free trade is conclusive. But a static state is only theoretical and imaginary; actual society is highly dynamic, whether viewed as a whole or as composed of national units.² This fact justifies the existence of the protective doctrines. The purpose in view, according to the theory of protection, is to change the character of industry by diverting capital and labor from the channels they would seek in the absence of interference by government to such channels as seem to offer ultimately a larger return per unit of investment.

According to the famous report of Alexander Hamilton, bounties and subsidies are the best means of giving effect to protective measures. These may be used to divert both capital and industry from their normal channels. But considered from the fiscal standpoint, bounties and subsidies are payments made from other sources of revenue, while a protective tariff involves an addition of a certain amount of revenue to that derived from other sources. A pure protective duty generally exceeds the maximum rate of revenue production, but a tariff for revenue may be largely a protective measure. It is most natural that nations should prefer a system which will produce revenue, even in a limited amount, than one which has the same protective effect but constitutes a burden on existing sources of revenue.

Economic investment of capital and labor is demanded if

¹ Patten, *Economic Basis of Protection*, p. 24.

² Clark, *Distribution of Wealth*, p. 29.

natural resources and capacities are to be brought into play. When a new industry is established, a tendency to static adjustment is at once set in motion, with the new industry as one of the essential elements. It may seem advisable to foster this industry by means of a protective tariff covering its products. This once in force, capital and labor are attracted from other channels to the protected industry, and there begins at once to be established a new static adjustment under the new conditions. Inventions and improvements in methods and organization must take place in the new industry in order to meet competition from abroad or from articles which may be substituted for the one in question. Should this improvement and growth not take place the protection given has resulted only in waste and loss.

A protective duty is justifiable within certain limits of time and to a class of industries which are appropriate to the economic conditions of the country. The static argument maintains that it is wasteful and extravagant and disadvantageous to divert labor and capital into artificial channels. The dynamic argument maintains that the loss which is incurred in the present by reason of the change in the course of labor and capital is less, within the prescribed limits, than the gain which will accrue in the future, and which will continue to the advantage of the nation as a whole.

There are political and anthropological arguments in favor of protection, but the one which receives the general approval of economists is the one above stated. It is commonly called the "protection to young industries" argument.

Professor Taussig gives a statement of the two conditions in which protection may be applicable. These are, "(1) the state of things in a new country which is rapidly growing in population, and in which, as population becomes more dense, there is a natural trend from exclusive devotion to the ex-

tractive industries toward those branches of production classed as manufactures. The transition from a purely agricultural state to a more diversified system of industry may be retarded, in the complete absence of governmental measures for introducing other occupations than agriculture, beyond the time when it might advantageously take place. (2) When a great improvement takes place in some of the arts of production it is possible that the new process may be retained in the country in which it originates, and may fail to be applied in another country, through ignorance, the inertia of habit, and perhaps in consequence of the restrictive legislation at the seat of the new methods. Here again the obstacles to the introduction of the new industry may be of that artificial kind which can be overcome most easily by artificial means."¹

These conditions seem to have been fulfilled in the United States at the beginning of the nineteenth century. The economic history of the United States may be divided into the four periods, from early time to 1808; 1808-1832; 1832-1861; 1861-1902. The free-trade policy prevailed in the first and third of these periods, protection in the second and fourth. In the first stage of its national existence, the United States remained practically a free-trade country, even though protection had been proclaimed in theory. In April, 1776, even before the Declaration of Independence, the Continental Congress declared a free-trade policy in order to invite foreign goods, of which they stood in so urgent need. The tariff of 1789 and successive increase of duties down to 1807, may have been the theoretical proclamation of protection, but this view is denied by those who consider them only political and fiscal measures.² Be that

¹ Taussig, *Tariff History of the United States*, p. 5.

² Rabbeno, *American Commercial Policy*, pp. 111-133. Protectionist Theory, Bishop, Bolles, Mason, Thompson, and others. Political and Fiscal Theory, Ely, Taussig, H. C. Adams, and others.

as it may, the industrial condition of the country at that time was colonial, and there was no immediate demand for protective measures. The country was wholly agricultural, and protection was premature if not an impossibility. The wide influence of Hamilton's report cannot be exaggerated in its relation to the history of protection in America. Its peculiar and striking force lay in the fact that it was both practical and scientific.¹ The political idea dominated it, and the economic arguments in favor of protection held an altogether subordinate place in it. But the industrial transition of the country had begun and the development of manufacturing activity and capitalist industry extended the idea of protection. Scarcity of capital, want of skill and experience, lack of machinery and severe foreign competition made it necessary to adopt the policy of protection in order to develop the capitalist industry of the country. Hamilton's prevision enabled him to declare plainly that "the capitalist class had a great mission to fulfill, a mission to produce and concentrate wealth—inseparable indeed from inequalities and injustice—but with which, none the less, the political and economic greatness of the country is intimately associated."²

This sketch of the history of the United States is adduced because there is a manifest parallel between it and the history of Japan, in the matter of the economic conditions involved.

The Restoration of 1868 resembles the formation of the Congress of the United States in 1789. The one was the re-establishment of a monarchy, the other the establishment of a Republic, but the subsequent changes in the industrial and commercial life of the nations have, thus far in the history of Japan, many striking similarities.

Prior to 1868 the economic condition of Japan approached

¹ Rabbeno, *American Commercial Policy*, p. 298.

² Quoted by Rabbeno, p. 322.

very nearly to a static adjustment. This was thoroughly disturbed by the highly dynamic elements of modern industrialism. At the time this took place Japan was a purely agricultural country, and free trade would have been her natural policy, even though she had not been coerced by the treaty powers into the adoption of commercial treaties to that end. Contact with nations possessed of a higher civilization not only increased and diversified the wants of the economically inferior nation, but it served also to increase its productive capacity, since the energy of man increases with the intensity of his desires. The industrial revolution in Japan was followed by a rapid increase in population, and the change from exclusive devotion to the extractive industries to diversified manufacturing industries is a distinctly normal phenomenon.

The arts and sciences of western civilization and the modern methods and organization of industry were introduced, but through ignorance and the inertia of habits, the establishment of new industries is confronted by many difficulties. Lack of machinery, want of skill and experience, and foreign competition will continue to retard the establishment of new industries unless these hindrances are counterbalanced by government patronage and encouragement. Japan is not yet a country of individualism, and governmental initiative and interference are historically justified. Capital is necessarily and wisely timid with regard to new industries and undertakings, and in order to develop the resources and capacities of the country the government must be the source and ground of confidence on the part of capitalists that industries of increasing returns may be established despite the initial difficulty of increased cost. Japan is now entering on the period of capitalist industry. The possibility of the successful establishment of diversified manufacturing is assured by its history, by the facts of dense population,

adaptability of the people, and an almost inexhaustible supply of coal. At all events, the commercial policy of a nation is an effect rather than a cause of the economic condition of the country. And the full force of the argument for the protection of young industries applies to Japan, from whatever view of its economic conditions the argument is begun.

II. *Japan's Commercial Attitude.*

The inauguration of the new treaties¹ on July 17, 1899, marks a new epoch in Japanese history. By special arrangement, the new tariffs took effect January 1, 1899. These tariffs² consist of the statutory and the conventional tariffs; the latter, being terminable at the end of twelve years, was appended to the treaties with France, Germany, Great Britain and Austria. The conventional tariffs cover some of the principal imports from these countries. The articles mentioned in the conventional tariffs number not more than 59, and the customs duties range from five per cent. to fifteen per cent. ad valorem. Under the most favored nation clauses of the new treaties, all the treaty powers will enjoy the trade benefits obtained by these four nations. All articles not mentioned in the conventional tariffs are subject to the general statutory tariffs. The power of regulating her own customs duties has been restored in large measure to Japan. Without going into the political aspects of the new treaties which have lifted Japan to a position of equality in international law, it is well to point out the importance of these treaties as affecting Japanese commerce and industry.

Heretofore, the government has had a multitude of political problems pressing for solution. The administration of

¹ For the new treaties see *Compilation of Treaties in Force*, 1899. Publication of the U. S. Government, pp. 352 et seq.

² For new tariff law see *General View of Commerce and Industry of Japan* 1900, pp. 333 et seq. Publication of the Japanese Government.

internal affairs, and the assimilation of such phases of western civilization as gave promise of bearing good fruit on Japanese soil, were matters so engrossing that questions of foreign trade were largely overshadowed, and the government has had no fixed commercial policy. Furthermore, under the old treaties Japan could levy no customs duties higher than five per cent. ad valorem, and this fact would have frustrated any attempt at formulating a commercial scheme having an industrial effect. The whole subject was relegated to class-room discussion. The commercial policy of a nation, however, is not a matter of bookish theory, but a practical work, based on existing political and economic facts. A wise commercial policy will not ignore experience, but must be, in that regard at least, Baconian. No longer do nations give attention to the occasional and temporary gains of individuals regardless of the nation as a unit, and of its present and future welfare. National growth and energy for the national unit are now the objects of first and most earnest search. For the development of the resources and productivity of a people, "what is not seen" must enter into the considerations as well as "the things which are seen."

International trade is fundamentally the bartering of products, or the exchange of the products of human labor. The ratio of exchange is determined, not by the cost of production, but by the utilities embodied in the products which are exchanged. The country, therefore, which produces commodities which have greater utilities, with less expenditure of human energy, has always an advantage over the country which expends more energy in the production of commodities embodying the same or fewer utilities. In this light, international trade may be regarded as an exchange of human labor measured by the utilities of commodities. For example, suppose ten pounds of Japanese tea are exchanged for fifty yards of English calico. It may cost ten days' labor

to produce ten pounds of tea in Japan, while two days' labor may produce fifty yards of calico in England. This would amount to the exchange of two days' labor for ten days' labor; but from the point of view of exchange in utilities, both countries must be benefited; otherwise there would be no motive to exchange. Hence it is the policy of all civilized nations to encourage those forms of industry by which the embodiment of greater utilities in commodities can be accomplished with the least expenditure of human energy. Industries of increasing returns fill this requirement. Some processes of fabrication are especially capable of producing larger successive returns in response to the same, or even relatively decreasing cost. The world's movement industrially, during the last few decades, seems to establish the fact conclusively that each civilized nation has been changing its national industry from extractive-agricultural to commercial-manufacturing activity. The subjoined table shows the occupation per thousand of population of each nation, and explains the character of the leading industry in each country.

	<i>Agriculture.</i>	<i>Manufactures.</i>	<i>Commerce.</i>
United Kingdom	73	148	229
Germany.....	178	118	130
France	170	117	137
Belgium	166	160	46
United States.....	153	77	117 ¹

The secret of England's wealth and greatness lies in her mastery of machinery and her command of an extensive market for her products. England commands the labor of a large part of the world, especially in Asia, by exchanging her machine products for the human-labor products of other nations. She has harnessed the inanimate forces of nature to the wheels of her industry, and the products of a short

¹ Mulhall, *Dictionary of Statistics*.

operation of automatic machinery she exchanges for the product of hard manual labor and the sweat of many brows. The lesson for Japan is so obvious as to make detailed explanation of it superfluous.

The national policy of Japan should be the increase of her efficiency of national energy by the establishment of manufacturing industries, sustaining them to the point of ability to cope on equal terms with foreign competition, and by finding markets for her products. Her fitness for manufacturing industries has been set forth in the foregoing pages, and her progress along these lines has been altogether remarkable. The one great element of commercial greatness yet to be assured is that of an adequate market, one capable of absorbing an ever increasing amount of her products. To this end all avenues of foreign trade must be assiduously followed.

A brief study of the course and trend of Japanese foreign commerce reveals some significant and suggestive results.

In the period immediately succeeding the opening of the country to the world, the foreign trade of Japan was monopolized by the European powers and America. England was the largest exporter to Japan, and the United States the largest importer from Japan. In the past ten years, however, a radical change has come over the character and direction of our foreign trade. While trade with the United States continues healthy and prosperous, and that with European nations maintains a moderate rate of increase, the trade with Asiatic nations has increased by leaps and bounds. The following tables will illustrate this condition:

COUNTRIES.	1889. Yen.	1899. Yen.	INCREASE. Yen.
Asia	44,748,000	190,387,000	145,639,000
Europe	55,182,000	128,137,000	72,955,000
America	27,750,000	104,689,000	76,939,000

And the distribution of this trade among the various Asiatic nations and principalities is equally important in its bearing on the future of Japanese trade. The figures of this trade are subjoined.

Distribution of Japanese Trade with Asiatic Countries.

<i>Countries.</i>	<i>1890 (Yen).</i>	<i>1899 (Yen).</i>
China	14,076,000	68,944,000
Hong Kong.....	14,861,000	41,629,000
British India	9,500,000	49,945,000
Korea	5,613,000	11,971,000
French India .....	.....	4,650,000
Asiatic Russia .....	.....	7,090,000
Siam	246,000	783,000
Philippines	452,000	2,669,000
Dutch India.....	.....	1,350,000
Hawaii .....	.....	1,356,000
Total	44,748,000	190,387,000

These Oriental countries are mainly agricultural, and their products differ little from those of the same industry in Japan. So long as Japan remains an almost exclusively agricultural country there is no great necessity or exceptional opportunity for an increase of trade between these nations and Japan. But the increase of population and the springing up of factories in Japan has brought about the greater part of this change, and is merely an indication of the larger opportunities confronting the nation. Japan's tillable area is limited and fixed. Cheap food stuffs and raw materials must be imported, and her manufactures must find an outlet. The raw materials are supplied by the adjacent countries in great volume and at a low price. They themselves are in a low industrial stage, their wants are simple, and they are satisfied at present with crude and cheap articles of manufactures. And as if peculiarly adapted to this situation, Japan's manufactures must begin with the simpler and cruder articles, and widen and expand both in quality and

quantity of work as the development of skill on the one hand, and of demand on the other may justify. That Japan is capable of producing better and finer goods by machine processes is fully established by the many products of exquisite workmanship which she has produced by hand processes in the past. And the Asiatic nations furnish better markets to no countries and their products than to Japan. Of all Oriental countries China shares the largest part of Japanese trade. Several considerations conspire to make the relations between these two nations, Japan and China, of unusual national and international importance in economic and political relations.

China is a country of uncomputed wealth, a territory of four million square miles, a population constituting one-third of the human family. Her natural resources, mineral and agricultural, would justify almost any predictions concerning her future when these are systematically developed and made available. Her foreign trade, stated in taels, makes also an interesting exhibit.

Chinese Foreign Trade.

<i>Countries.</i>	<i>1885.</i>	<i>1890.</i>	<i>1899.</i>
Great Britain	45,983,000	37,703,000	54,123,000
Hong Kong.....	51,138,000	104,987,000	189,941,000
India	16,737,000	11,355,000	33,642,000
United States	11,613,000	11,840,000	43,974,000
Continental Europe.....	9,822,000	14,100,000	46,935,000
Japan	6,755,000	12,221,000	53,147,000
Russia.....	5,047,000	9,754,000	22,079,000

A glance shows the great increase in her trade with Japan.

China is the most peace-loving nation of earth; her people are attached by many ties to their own land, they are industrious and commercial. They have a pride in themselves, in their antiquity, and in their civilization. They are conservative to the last degree, and turn but slowly and with

much friction from their treasured inheritance of civilization, customs and religion. They need, and are fitted for, an Orientalized form of Occidental civilization. The Boxer troubles and the occasional disturbances in the Empire are but a symptom of the presence of an undigested form of western civilization within the body of the people. The western nations have recently learned many things concerning this Celestial people and their racial characteristics. Some mistakes have been made and more are inevitable. It is becoming more generally apparent that the step from the venerable and venerated traditions of accumulated centuries is too great a one to be taken with the brusque and impetuous speed that the commercially grasping nations of the world would see China take, that she might become what they call civilized. Not even the integrity of the Empire forcibly maintained nor a compulsory "open door" will effectually accomplish the desires of the rest of the world in China's behalf. It is at this point that Japan's relations to China become clearly important in the play of world forces and in the establishment of world relations.

Although the Chinese and the Japanese do not speak the same language, they are of the same race and have a large part of their history in common; they use the same ideographic characters of letters in their writing; for fourteen centuries they have been in almost constant intercourse and communication, and Japanese customs and institutions have been modelled after those of the Chinese civilization of bygone ages; the Chinese classics are to the Japanese what the Greek and Roman classics are to the nations of the West. There is no nation which understands the Chinese people in their individual and national traits better than does Japan. The latest phase of the recognition of this fact is the very recent utterance of some of the most effective missionary boards to the effect that the Christianization of China will

be more surely and quickly effected through Japan than by the direct impact of western ideals and methods of the Christian religion.

That the natural resources of China may be best developed, and her commercial and industrial habilitation and organization brought most securely and safely to pass under the tutelage of Japan, is now a generally admitted fact among the students of the "eastern problem" from the standpoint of the western civilization. An industrial and commercial alliance between Japan and China is scarcely more advantageous to these nations themselves than to the benefit and advantage of the world's uplift and civilization.

In the markets of the Oriental countries Japan can successfully meet foreign competition. The profits of the entrepreneurs of Europe and America are chiefly due to their advanced methods of production and their better organization of the factors of industry. These are being rapidly copied, adopted and assimilated by the Japanese, and even while this process is continuing, Japan has the advantage of geographical proximity, similarity of race and customs, an increasingly dense industrial population and an abundant supply of coal. And further than this, the Japanese being distinctly Oriental are best fitted to read and comprehend the economic mind of other Orientals, to awaken and stimulate their wants, anticipate their needs, and supply their demands with less of waste and economic friction than is possible to minds Occidental.

Japan has been an international factor, an awakened force, for but a third of a century. In the press and stress of the innumerable social and political complications and adjustments she has not had time to become commercially self-conscious. Her industrial and commercial growth has been purely natural and without the stimulus of a predetermined and studied plan. She has every needed factor in her favor

to cause her to become the entrepreneur of the Far East. With other matters adjusted to customary methods of deliberation and adjudication, she will doubtless turn devoted attention to the development of her commerce in Oriental markets. Korea, Siam, and the Philippines have historic relations with Japan, and would be easily developed. The commercial centers of southern China, Ningpo, Fouchoo, Amoy and others have been frequented from the earliest days by Japanese traders, and many of them have passed by reason of their fame and renown into the traditions of the markets. Since the Island of Formosa has fallen into Japanese possession, our interests are especially concerned with southern China. More than two-thirds of the foreign trade of Formosa is carried through southern China, and the future development of the islands is vitally connected with that of China.

The trend of commercial struggles has been westward since the beginning of historic times. The mastery of the Pacific is now the goal of all the commercial nations, and China is the El Dorado of the Orient. "To China" will be the watch-word of the matured commercial policy of Japan.

APPENDIX.

JAPANESE WEIGHTS AND MEASURES.

Weight.

1 Kwammé	equals	1,000 Mommé	equals	8.281 lbs.	Avd.
1 Kin	"	160 "	"	1.325 "	"
1 Mommé	"	10 Fün	"	2.12	Drams Avd.
1 Fün	"	10 Rin	"	5.79	Grains "
1 Rin	"	.1 Fün.			

Land Measure.

1 Chō	equals	10 Tan	equals	2.45	Acres.
1 Tan	"	10 Se	"	.245	"
1 Se	"	30 Bu	"	119	Square Yards, nearly.

Dry and Liquid Measure.

1 Koku	equals	10 Tō	equals	39.7	gallons, or 4.96 Bushels.
1 Tō	"	10 Shō	"	3.97	" " 1.98 Pecks.
1 Shō	"	10 Gō	"	1.58	quarts, " .198 "
1 Gō	"	.1 Shō.			

Linear Measure.

1 Ri	equals	36 Chō	equals	2.44	Miles.
1 Chō	"	60 Ken	"	1.15	"
1 Jō	"	10 Shaku	"	3.31	Yards.
1 Ken	"	6 "	"	5.96	Feet.
1 Shaku	"	10 Sūn	"	11.9	Inches.
1 Sūn	"	.1 Shaku	"	1.19	"

Money Tables.

The Rio, known before the Meiji period, was derived from, and about the equivalent of the Chinese Tael.

The money is on the decimal system, 1 Yen being equal to 100 Sen.

Standard Gold Coins.

20 Yen, weight 16.6665 grammes, quality	} 900 parts of pure gold; 100 parts of copper.
10 Yen, weight 8.3333 grammes, quality	
5 Yen, weight 4.1666 grammes, quality	

Subsidiary Silver Coins.

50 Sen, weight 13.4783 grammes, quality	} 800 parts of pure silver; 200 parts of copper.
20 Sen, weight 5.3914 grammes, quality	
10 Sen, weight 2.6955 grammes, quality	

Subsidiary Nickel Coins.

5 Sen, weight 4.6654 grammes, quality 250 parts of nickel and 750 parts of copper.

Subsidiary Copper Coins.

1 Sen, weight 7.1280 grammes, quality	} 950 parts of copper; 50 parts of tin and zinc.
$\frac{1}{2}$ Sen, weight 3.5640 grammes, quality	

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VITA.

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